

Annual Governance Report

Oldham Council

Audit 2008/09

Date: 24 September 2009.

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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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Borough Treasurer on 11 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 8 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the misstatements in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the misstatements; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Mark Heap
District Auditor
Date

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Anticipated Results	Page
Unqualified audit opinion	Yes	8
Financial statements free from error	No	8
Adequate internal control environment	Yes	9
Use of resources	Results	
Use of resources judgements	Yes	12
Adequate arrangements to secure value for money	“Except for”	13

Audit opinion

- 1 We have substantially completed our audit of the Council’s financial statements. We have not identified any material issues at this stage and we expect to give an unqualified audit opinion. Any further matters arising following the Audit Committee meeting will be discussed with the Chair of the Committee.

Financial statements

- 2 We have some minor queries outstanding and we will update this conclusion once these have been answered. Subject to clearance of our outstanding queries, all material misstatements have been adjusted.
- 3 The number of material misstatements has reduced significantly this year due to improvements in the accounts preparation process and none identified at the audit have an effect on the Council’s available revenue reserves. There are some further misstatements, including three which do have an effect on available reserves, that management has chosen not to adjust in the accounts but these are not material and do not impact on our audit opinion.

Key messages

Use of resources

4 We have judged the Council's arrangements for its use of resources as follows, where:

Level 1 = does not meet minimum requirements

Level 2 = meets only minimum requirements - performs adequately

Level 3 = exceeds minimum requirements - performs well

Level 4 = significantly exceeds minimum requirements - performs excellently.

Managing Finances – theme score 2	Score
KLOE 1.1 Financial Planning	2
KLOE 1.2 Understanding costs and achieving efficiencies	2
KLOE 1.3 Financial Reporting (<i>to be confirmed</i>)	2
Governing the business – theme score 2	
KLOE 2.1 Commissioning and procurement	2
KLOE 2.2 Data quality and use of information	1
KLOE 2.3 Good governance	2
KLOE 2.4 Risk management and internal control	2
Managing resources – theme score 2	
KLOE 3.1 Use of natural resources	2
KLOE 3.2 Strategic asset management	1

5 As a result, I intend to issue a qualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in the areas scored at level 1.

Audit Fees

- 6 I am required by professional standards to report to you any adjustment in the final outturn audit fee relating to the Council's 2008/09 financial statements.
- 7 In our 2008/09 Audit Plan, issued in June 2008, we identified some weaknesses in management and benchmarking information and agreed that audit work was appropriate in response to the residual audit risk. Since then, some work carried out by the Council as well as the Data Quality work undertaken as part of our Use of Resources review, has mitigated that audit risk. As a result the specific work on benchmarking is no longer necessary for the purposes of our audit and the estimated fee of £5300 included in the original plan to cover this work will be refunded to the Council. The final outturn audit fee for 2008/09 is therefore reduced from £324,900 to £319,600.
- 8 However, some additional work was required to obtain assurance on the financial statements; the working paper trail from the ledger to the statements was not always easy to follow, the filing of working papers was confusing in some areas and in some instances there were no working papers to support significant balances. These shortcomings in documentation arrangements have required us to take more time over the audit than was expected.
- 9 I will discuss the effect on the audit fee with the Borough Treasurer and report the outcome of the discussion to you at the next Audit Committee meeting.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

10 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 8 to 11);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the misstatements in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the misstatements (Appendix 3);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

11 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Adjustments to the financial statements

12 Appendix 2 details the misstatements in the accounts and accompanying notes which have been adjusted by management.

13 Three of the misstatements resulted in material amendments to the accounts as shown below but none affected the Council's available revenue reserves and balances:

- Housing PFI reserve of £13.0m now classified as part of the HRA balance
- VAT debtors and creditors of £10.7m not netted-off
- Oldham Educational Enterprise assets of £7.2m included in error in the Council's Balance Sheet

14 Compared with previous years, the number of material adjustments to the statements this year has reduced significantly and this is largely due to:

- The commitment and action of staff in the Finance Service to improve the accounts preparation.
- Finance staff undertaking a detailed quality assurance review of the statements which identified and corrected some errors before the accounts were presented for audit.
- Less new accounting requirements in 2008/9.
- Engaging external assistance to ensure difficult technical accounting areas have been treated correctly.
- Early review by auditors to ensure key areas have been dealt with satisfactorily.

15 Although the number of material adjustments in the accounts has reduced compared with previous years, further work is still needed to ensure that the Council's financial statements are produced to the expected professional standard – which is that the accounts presented for audit should be free of any material errors.

Financial statements

16 Appendix 3 shows the misstatements in the accounts that have not been adjusted by management. Although some of these impact on the Council's outturn position we are satisfied that the misstatements, both individually and in aggregate, are not material to the financial statements.

Recommendation

R1 Ensure action is taken to further reduce the number of misstatements in the accounts

Material weaknesses in internal control

17 We are required to report any material weaknesses in internal control.

18 We are pleased to report that we have not identified any such weaknesses in internal control.

Letter of representation

19 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

20 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
The Authority has three PFI schemes. There are a number of risks associated with these schemes, including: <ul style="list-style-type: none">• The accounting treatment is complex; and• Errors were noted in the previous year's statements.	We found that the methodology to calculate the residual asset value is appropriate.
The Authority is carrying a significant value of premiums and discounts in its Balance Sheet. There are various risks associated with these balances:	The treatment and amortisation of premiums and discounts incurred was appropriate.

Issue or risk	Finding
<ul style="list-style-type: none"> The accounting treatment is complex; Errors were noted in the previous year's statements; and A further debt restructuring exercise in 2008/9 has resulted in further premiums and discounts 	
A new General Ledger system (and Debtors and Creditors) has been introduced in 2008/9 and this year's accounts will be the first time that the Authority has undertaken a year end closedown with the new systems	Adequate controls were in place
Extensive disclosure of financial instruments is required within the 2008/09 accounts. There is a risk that disclosure may not be in line with requirements.	The financial instruments note complies with the SORP.
The economic recession has had a downward impact on asset values. There is a risk that asset values within the 2008/09 accounts may not be appropriate	Valuation methodology, including impairment, was appropriate.

Accounting practice and financial reporting

21 I consider the qualitative aspects of your financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue or risk	Finding
Recharges	We have concerns about the complexity of the recharges procedures and that the recharges are based on 2009/10 estimates, although we are satisfied that there are no implications for the audit opinion.
Working papers	Although working papers are better this year there is still scope for considerable improvement. As examples, the working paper trail from the ledger to the statements is not always easy to follow, the filing of working papers is confusing in some areas and in some instances there are no working papers to support significant balances. These shortcomings have led to the need for us to carry out more work than would be expected.

Financial statements

22 Last year I recommended that there needed to be an effective quality assurance process with respect to the production of the accounts, targeted more to the areas of high risk. This has been implemented and, along with:

- an improvement in the reconciliation procedures;
- the new ledger system; and
- the appointment of a dedicated chief accountant,

has resulted in an improved process in reporting the accounts.

23 There are still improvements to be made and we will be discussing these with the Borough Treasurer and his staff.

Recommendation	
R2	Simplify the recharging methodology and ensure that recharges are in line with the actual costs incurred.
R3	Continue to improve the quality of working papers and ensure all balances are supported by appropriate documentation.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 24** In forming my scored use of resources judgements, I have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 25** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 26** The Council's use of resources theme scores are shown in Table 3 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 3 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

- 27** Within these overall scores, there are two areas where the Council's arrangements do not meet minimum requirements:
- Data quality and use of information; and
 - Strategic asset management.
- 28** It is disappointing that these two areas continue to perform below minimum levels. Nevertheless, since this year's judgements reflect a harder test, it is clear that the Council's overall performance has improved in some respects since last year..

Value for money conclusion

- 29** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 5.
- 30** I intend to issue a qualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources, except in the areas highlighted in Appendix 5.
- 31** Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Oldham Council

Opinion on the financial statements

I have audited the Council and Group accounting statements and related notes of Oldham Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Oldham Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Borough Treasurer and auditor

The Borough Treasurer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Council and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to

Appendix 1 – Independent auditor’s report to Members of Oldham Council

form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword and the Financial Summary by the Borough Treasurer. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

Opinion

In my opinion:

The Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended; and

The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council’s Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Oldham Council had:

- adequate systems in place to challenge the quality of underlying data; and
- up to date and comprehensive strategic plans in place for managing its assets.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, published by the Audit Commission in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Oldham Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements for:

- producing relevant and reliable data and information to support decision making and manage performance; and
- managing its assets effectively to help deliver its strategic priorities and service needs.

Appendix 1 – Independent auditor’s report to Members of Oldham Council

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Heap
District Auditor
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

Date

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 4 Adjustments to the accounts

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £m	Cr £m	Dr £m	Cr £m
HRA balance	Re-classification of PFI reserve	N/A	N/A	13.0	13.0
VAT debtor	Debtor/creditor now netted-off	N/A	N/A	10.7	10.7
Fixed assets	Elimination of Oldham Educational Enterprises assets from Council's Balance Sheet	7.2	7.2	7.2	7.2
PFI receipt in advance	Transferred to reserves	1.8	1.8	1.8	1.8
Cash Flow	Various adjustments £1.3m	N/A	N/A	N/A	N/A
Long term debtors	PFI residual asset values reduced	N/A	N/A	0.3	0.3

Appendix 2 – Adjusted amendments to the accounts

<u>DISCLOSURES</u>	Nature of Adjustment				Value £m
Financial liabilities	Reduction of creditors to eliminate statutory balances				58.5
Financial assets	Reduction of debtors to eliminate statutory balances				37.5
Credit risk	Correction of percentage calculation error				21.6
Loan stock	Age classification amended				6.6
PFI 4 Debtors	Additional note to explain collectability				1.7
Audit fees	Additional analysis				0.1
Contingent liability	New note to refer to PFI 2 potential litigation				
FRS17	Correction of various errors				
Group Accounts	Inclusion of OEE figures for 2008/9				
Opening balances, additions, cross-references etc	Various minor amendments				
Explanatory Foreword	Inclusion of additional significant matters				
Job evaluation reserve	Explanation of balance now inserted				

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected misstatements, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected misstatements to the representation letter.

Table 5 Unadjusted misstatements

Description of misstatement	Accounts affected	Value of misstatement £Million
<u>Misstatements affecting revenue reserves/balances</u>		
Housing Benefit claim debtor excluded	I & E, debtors	1.7
Housing General Fund bad debt provision overstated	I & E, debtors	0.8
Business rates bad debts provision overstated	Collection fund, debtors	0.1
<u>Misstatements with no effect on reserves/balances</u>		
Exceptional item liability overstated	I & E, creditors	1.5
Trust Fund cash balances not eliminated	Cash, creditors	0.5

Appendix 4 – Draft letter of representation

To:

Mark Heap, District Auditor, The Audit Commission, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton BL6 6QQ,

Dear Mark

Oldham Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other chief officers of Oldham Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

-
-

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Executive meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with the financial reporting framework.

The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and appropriately reflect the best estimate of fair value of assets and liabilities required to be disclosed by these standards.

Appendix 4 – Draft letter of representation

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

The Council has a compensating arrangement between its bank account, including schools bank accounts. There are no other compensating balancing arrangements with any of our cash or investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Oldham Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 24 September 2009.

Signed

Name

Position

Date

Appendix 5 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Table 6 **Managing finances**

Theme score 2
Key findings and conclusions
The Council's financial planning processes are adequate. Most of the basics are now in place. The Council performs well in a few areas but mostly performance is adequate. Treasury management arrangements are sound. Business and service planning is not yet fully integrated with financial planning.

Appendix 5 – Use of resources key findings and conclusions

KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Overall the Council's financial planning processes are adequate. Most of the basics are now in place, they perform well in a few areas but performance is mostly adequate.</p> <p>As from February 2009, there is a three year medium term financial strategy (MTFS) which integrates revenue and capital, and identifies efficiency drivers and risks. The MTFS aims to link key local and national objectives, sets out current and projected financial forecasts and supports the Council's budgets for the next three years to 2011/2012.</p> <p>Business and service planning is not yet fully integrated with financial planning.</p>	
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council made significant improvements to delivering efficiencies. This work has led to significant structural changes and expenditure reductions within the admin and support function (£7.8M) and further reductions in management structures (£870k). Other changes to address elements of procurement are also expected.</p> <p>There is now an Efficiency and VFM approach, but this is yet to be made a reality and further work is ongoing to embed the approach at a departmental level. Developments include the use of VFM profiling and closer working with the Operational Efficiency Group. The Council has a significant amount to do to provide information to allow for good decision making on Value For Money improvements.</p>	

Appendix 5 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Financial reporting overall has improved since our audit of the Council's 2007/08 accounts. We have recognised an increased discipline, transparency and realism within the financial reporting system..</p> <p>An overall level 2 will depend on the adequacy or otherwise of the Statement of Accounts. Under the previous Use of Resources system, the Council's score for financial reporting had remained at 1 (below minimum requirements) for) 4 years.</p>	

Table 7 Governing the business

Theme score 2	
Key findings and conclusions	
<p>Procurement is adequate but there are a number of weaknesses which the Council still needs to address.</p> <p>Data Quality arrangements continue to be below minimum requirements.</p> <p>The Council performs well in certain aspects of governance.</p> <p>Risk management has been adequate for some years and has not yet moved on to the next level</p>	

Appendix 5 – Use of resources key findings and conclusions

KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has begun to make made significant improvements to delivering efficiencies via commissioning and procurement. There have been significant structural changes in this respect within the admin and support function and further reductions in management structures are planned. Other changes within elements of procurement (ICT, Facilities, Security, Cash Control and Social Care) are also planned. The benchmarking model has challenged existing structures and has led to reductions in costs in these areas.</p> <p>There is now an overall Efficiency and VFM approach, but this is yet to be made a reality within departments and work is ongoing to work with departments to embed the approach.</p>	
KLOE 2.2 (data quality and use of information)	
Score	1
VFM criterion met	No
Key findings and conclusions	
<p>Last year, we assessed the Council’s overall management arrangements for data quality as being at minimum requirements. We also qualified our VFM conclusion in respect of Data Quality, with particular reference to incorrect and inaccurate performance information. There was also critical comment in the CA/JAR about “poor data quality”,</p> <p>Nothing has changed so the score for data quality remains at level 1 overall. However, robust action is now being planned to address these issues.</p> <p>The data security policy has yet to be finalised.</p>	

Appendix 5 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council performs well in this area but not enough to achieve “performing well”.</p> <p>Good governance is taken very seriously but there are some weaknesses in this area. For example, there is no general training for members in this area other than at the induction stage.</p> <p>Purpose and vision is adequate but the CA/JAR commented that consultation with the local community is not always seen as effective and that communication of the Council’s ambition is uncoordinated and lacks vision.</p> <p>The Council can demonstrate that it has high ethical values.</p>	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There has been little progress since the CA/JAR when Risk Management was scored as performing adequately.</p> <p>Counter fraud and corruption arrangements are of a high standard and working well, particularly around prosecuting Housing Benefit fraud.</p> <p>Internal control has improved since last year and now displays some “performing well” characteristics.</p> <p>Further improvement in business continuity planning is required if “performing well” is to be achieved.</p>	

Table 8 Managing resources

Theme score 2	
Key findings and conclusions	
<p>On natural resources, the council is getting the basics right in developing plans to make effective use of its natural resources.</p> <p>On asset management, performance has slipped from last year. The council is not meeting minimum requirements in managing its assets to help deliver strategic priorities and service needs.</p>	
KLOE 3.1 (use of natural resources)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The council is getting the basics right in developing plans to make effective use of its natural resources.</p> <p>It is in the process of developing - with its key partners - a comprehensive strategy for making effective use of its natural resources.</p> <p>It is now gathering good quality information to establish baselines for setting environmental targets. However it is unclear at this stage as to what use is currently being made of this information.</p> <p>It works with partners in developing its strategic approach to managing its natural resources.</p> <p>A range of initiatives has been developed to support its strategic approach and reduce its impact on the environment but these are not yet held together within a single over-arching framework.</p> <p>It is only in the process of establishing baselines for most of its key environmental indicators.</p>	

Appendix 5 – Use of resources key findings and conclusions

<p>KLOE 3.2 (strategic asset management)</p> <p>Score</p> <p>VFM criterion met</p>	<p>1</p> <p>No</p>
<p>Key findings and conclusions</p>	
<p>Performance has slipped from last year and there is no sense that the Council's current approach to asset management is driven by a clear strategy.</p> <p>Staff resources for managing its assets are significantly stretched at present. Five out of the nine relevant posts are vacant. The council is aiming to have a fully-resourced asset management unit by late autumn 2009 and to develop some up to date asset strategies, plans and policies by the end of 2009.</p> <p>Roles and responsibilities are unclear even to those people currently in those senior interim positions.</p> <p>The council has no up to date and comprehensive strategic plans in place for managing its assets.</p> <p>There is no tangible or significant link between the council's assets and its medium term financial strategy.</p> <p>The council is not rigorously managing the performance of its assets</p>	

Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 - Recommendations						
9	Ensure action is taken to further reduce the number of misstatements in the accounts	3				
11	Simplify the recharging methodology and ensure that recharges are in line with the actual costs incurred	3				
11	Continue to improve the quality of working papers and ensure all balances are supported by appropriate documentation	3				

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
