

Use of Resources

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# **Use of Resources Auditor Judgements 2006**

**Shropshire and Wrekin Fire Authority**

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## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well fire authorities 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 in 2005. 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 authority'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:

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 five theme scores for Shropshire and Wrekin Fire and Rescue Authority (SWFRA) are outlined overleaf. This summary sets out our key findings in relation to each theme and key areas for improvement.

## Use of resources judgements

**Table 1 Summary of scores at theme and KLOE level**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2006</b>
<b>Financial reporting</b>	<b>3</b>
1.1 The Authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3
1.2 The Authority promotes external accountability.	4
<b>Financial management</b>	<b>3</b>
2.1 The Authority's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3
2.2 The Authority manages performance against budgets.	3
2.3 The Authority manages its asset base.	3
<b>Financial standing</b>	<b>3</b>
3.1 The Authority manages its spending within the available resources.	3
<b>Internal control</b>	<b>3</b>
4.1 The Authority manages its significant business risks.	3
4.2 The Authority has arrangements in place to maintain a sound system of internal control.	3
4.3 The Authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3
<b>Value for money</b>	<b>3</b>
5.1 The Authority currently achieves good value for money.	3
5.2 The Authority manages and improves value for money.	3

## Theme summaries

- 5 The key findings and conclusions for each of the five themes are summarised in Table 3.

**Table 2 Summary of findings and conclusions by theme**

<h3>Financial reporting</h3> <p><b>Theme score 3</b></p> <p><b>Key findings and conclusions</b></p> <p>There was a significant amendment of £730k made to the accounts in 2004-05 relating to the treatment of reserves. However, this was a one-off amendment and the Authority's 2005-06 accounts were submitted to the Audit &amp; Performance Management Committee and Combined Fire Authority for approval with no material errors or mis-statements. The Authority's accounts are compiled in accordance with statutory and professional reporting standards and are approved and published in accordance with statutory requirements. The quality of the working papers provided at the start of the post statements audit continue to be of a high standard.</p> <p>The latest accounts, annual audit letter and agendas, reports and minutes for meetings of the full authority, committees and scrutiny panels are published on the Authority's website on a timely basis. A summary statement of accounts has also been prepared for 2005-06 and made available on the website. It includes descriptors and explanations in plain language that are clearly understandable to the public.</p> <p>The authority can provide information, on request, in alternative formats including large print, audio and in community languages other than English.</p>	
<p><b>Improvement opportunities</b></p>	
<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 are not yet exemplary. Improvements can be made by:</p> <ul style="list-style-type: none"> <li>• Clearly linking the working papers to the Income &amp; Expenditure accounts, with general ledger prints being made available at the start of the audit.</li> <li>• Providing detailed payroll analytical review to support expenditure within the accounts.</li> <li>• Providing this information electronically where possible.</li> </ul>

## Financial reporting

### Theme score 3

KLOE 1.2 The Council promotes external accountability.

Continue to provide a summary statement of accounts to fully embed the process

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## Financial management

Theme score 3

### Key findings and conclusions

The Authority's performance plan (that sets out its aims and objectives) is linked to its departmental business plans and financial planning and management. Budgets and the capital programme are based on robust medium-term financial projections and risk assessments.

### Improvement opportunities

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.

The Authority can make improvements in the following areas:

- The MTFP should describe in financial terms joint plans agreed with partners and other stakeholders over a minimum of three years
- Shared priorities identified in the Performance Plan 06-08 should be monitored via departmental business plans and clearly evidenced
- The Authority should proactively manage future developments that may have impact on its financial management arrangements e.g. budget risk assessment in a section of the MTFP.



<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Authority can make improvements in the following areas:</p> <ul style="list-style-type: none"> <li>• Demonstrate that monitoring variances by exception is effective</li> <li>• Provide members with accrued financial monitoring reports supported by estimates of significant balances during the year. Members should receive reports on balancing items, especially working capital of assets and liabilities. This proves the accuracy of the budget monitoring information as well as reviewing the nature of accrued liabilities</li> <li>• Ensure the organisational needs analysis undertaken to address training needs of the whole Authority based on the shared priorities identified in the Performance Plan 06-08 is monitored</li> </ul>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Ensure all arrangements are fully embedded throughout the Authority and monitor the benefits and effectiveness of the member champion for Procurement and Asset Management</p>

## Financial standing

Theme score 3

### Key findings and conclusions

The Authority is financially sound and has consistently maintained overall spending within budget. Current spending plans match available resources

The Authority has had to develop a policy on reserves and provisions from effectively a zero base, when it became self-precepting on 1 April 2004. The development of policy took place during a period of real budget pressure, notably from the threat of capping. The level and nature of reserves and balances are monitored by the Budget Working Group.

Quarterly reports are made to the Fire Authority on Prudential Guidelines and quarterly budget monitoring reports either to the Authority or to its Strategy & Resources Committee.

### Improvement opportunities

KLOE 3.1 The Council manages its spending within the available resources.

Improvements can be made by identifying innovation or best practice to demonstrate that :

- challenging targets have been set to monitor key financial health indicators;
- where target levels of reserves and balances are exceeded the authority has identified and reported to members the opportunity costs of maintaining these levels and compared these to the benefits it accrue.

## Internal control

**Theme score 3**

### Key findings and conclusions

The Authority's risk management process follows the recognised best practice risk management procedures to identify corporate and operational risks; assess the risks for likelihood and impact; identify mitigating controls and allocate responsibility for the mitigating controls. IRMP Action Plans are SMART and go through a rigorous consultation process and risk assessment before the Authority agrees to any recommendations for change. Any changes are monitored following their implementation with a review of the benefits obtained reported in subsequent years' Action Plans. Member responsibility for corporate risk management is identified in terms of reference of Strategy & Resource Committee. In addition, the role of a member champion for Business Risk Management and Audit has been introduced.

The Authority undertakes an annual review of its system of internal control which informs its Statement of Internal Control. A review of the Authority's Assurance Framework has recently been completed and recommendations for change have been taken to and approved by Policy Group. An Audit and Performance Management Committee has recently been formed with terms of reference that comply with CIPFA guidance.

A Partnership Working Group has been established. The Group assesses each partnership by looking at the risk to reputation, resources and financial implications. For high risk partnership, it looks at the gains or output and exit strategy if partnership is not viable.

The authority has formally adopted a code of conduct for members, which includes the mandatory provisions of the statutory Model Code of Conduct to which all elected and co-opted members have signed up. The authority has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received and take action as appropriate. To date only 1 complaint has been received which was not upheld by the Standards Board for England.

An Anti Fraud and Corruption Strategy is in place and is updated annually. The strategy is approved and supported by members and senior officers, and has recently been communicated to all staff. In addition a whistle-blowing policy is laid out in Brigade Orders. However, the Authority has not needed to undertake any fraud & corruption or whistle blowing investigations

<b>Improvement opportunities</b>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Improvements can be made by:</p> <ul style="list-style-type: none"> <li>• monitoring the benefits and effectiveness of the recently appointed member champion for Procurement and Asset Management</li> <li>• providing regular risk awareness training for members</li> </ul>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Ensure the Assurance framework is fully embedded within the Authority. In particular, that the audit committee provides effective challenge across the authority, provides independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.</p>
<p>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.</p>	<p>Ensure that the arrangements in place to promote and ensure probity and propriety are fully embedded and demonstrate:</p> <ul style="list-style-type: none"> <li>• that members and staff exhibit high standards of personal conduct.</li> <li>• That staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption evidenced by successful cases of proven fraud/corruption or examples of how fraud has been avoided.</li> <li>• a track record for effective action in response to whistle-blowing disclosures or action taken to avoid an issue becoming formal</li> </ul>

## Value for money

Theme score 3

### Key findings and conclusions

Shropshire and Wrekin Fire and Rescue authority aim to provide a value for money service. Its costs compare well with other Fire and Rescue Authorities and have been running at a level below average for the last three years. The service's performance is top quartile for a significant majority of national best value performance indicators. When taking account of local priorities such as providing the service helped by a comprehensive retained firefighter service and also local factors such as sparsity, there are no significant areas where costs and performance are not in line. Even though service improvements have been made over the period under review costs have remained below average and the FRA is delivering a value for money service. The FRA has enhanced its use of resources through effective working with neighbouring Fire and Rescue Authorities such as in the areas of training provision and the procuring of services. A number of actions in the integrated Risk Management Plan have resulted in staff resources being more efficiently used such as the reduction in unnecessary aerial cover, the use of XL cabs and the retained firefighter review resulting in appliances at retained stations being operation longer.

The Fire and Rescue Authority has a robust strategy of achieving efficiencies and is on course to achieve and exceed its share of the disaggregated national target set. These efficiencies and savings cover various aspects of the service. User impact is assessed in relation to key spending decisions through the Integrated Risk Management Plan Members group which is tasked to ensure that local needs are catered for as part of the risk reduction process.

Procurement decisions made by the service are based on a valid business case which considers various factors such as service performance, community benefit and equity and staff benefit in addition to cost comparison. Shropshire and Wrekin Fire Authority is setting targets which aim to stretch the organisation. Targets set take account of 5 year trends and whilst national targets are followed, if current performance is already exceeding these the FRA will set a more challenging target. Such an approach ensures that target setting is challenging both in terms national requirements and local influence.

### Improvement opportunities

KLOE 5.1 The Council currently achieves good value for money.

Undertake formal post implementation reviews of completed capital projects to aid learning for the future

KLOE 5.2 The Council manages and improves value for money.

Display procurement policy documents on the service's website