

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

10 February 2009

### Report of the Director of Finance

#### Part 1- Public

#### Delegated

### 1 USE OF RESOURCES AUDIT 2007/08

#### 1.1 Introduction

- 1.1.1 The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. They work to ensure that public services are good value for money and that public money is properly spent.
- 1.1.2 The Use of Resources (UoR) assessment evaluates how well local authorities manage their financial resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements and is an important part of the Comprehensive Performance Assessment (CPA) framework.
- 1.1.3 The overall UoR assessment is made up of five themes. There is an overall score and a score for each of the five themes of between 1 and 4 (4 being the highest).
- 1.1.4 The report from the District Auditor for the year 2007/08 is attached at **[Annex 1]**. After feedback following a national moderation process which attempts to bring consistency across the country, we received an overall score of 4 which is described as *“Well above minimum requirements – performing strongly”*. The scores for each of the five themes for 2008 (2007) are given below.

Financial Reporting	3 (4)
Financial Management	4 (4)
Financial Standing	3 (4)
Internal Control	3 (3)
Value for Money	4 (3)
<b>OVERALL</b>	<b>4 (4)</b>

- 1.1.5 It is worth noting that each year, the bar is raised and it becomes more and more difficult to achieve the highest scores. Whilst we have therefore apparently reduced our score in Financial Reporting and Financial Standing, we are

nevertheless performing consistently above minimum requirements. We did however achieve an improvement to our Value for Money score increasing it to a Level 4 which is extremely pleasing. The Financial Management score remained at the highest level, a Level 4, which I trust Members will find reassuring.

1.1.6 Without wishing to dwell on the scores for Financial Reporting and Financial Standing, it is worth drawing out from the report the reasons why a level 4 could not be awarded this year:

- (page 7 of DA's report, Financial Reporting) - "the accounts contained two errors exceeding our "triviality" threshold of £111,000."
- (page 10 of DA's report, Financial Standing) – we considered the implications of the Council's deposit of £1m with Landsbanki.... Whilst we did not identify any significant weaknesses in the Council's arrangements, we concluded that the existence of an at risk deposit of this size was not consistent with the strong outcomes required to support a score of level 4."

1.1.7 At officer level we informally challenged the above statements, but must ultimately respect the final judgement of the District Auditor. Interestingly, as the Council retained the overall 'level 4' score, there was no formal appeal mechanism.

1.1.8 For 2008/09, there is a new format for the Use of Resources Assessment and officers are already working on the case studies that need to be presented as evidence. The assessment will take place earlier this time, with work actually commencing by the Audit team in March/April.

## **1.2 Legal Implications**

1.2.1 None

## **1.3 Financial and Value for Money Considerations**

1.3.1 The costs of assessment are included in our overall Audit Fees.

## **1.4 Risk Assessment**

1.4.1 The work of the Audit Commission gives an independent and informed opinion of how well the Council manages and uses its resources and is an important component of the Council's accountability to its residents and council taxpayers. The judgements contained in the report demonstrate that the Council continues to perform in a manner that befits its status as an 'Excellent' Council.

1.4.2 Future levels of external inspection can represent a significant drain on Council resources. The current level of proposed inspection appears to be excessive when taking into account likely risk. There is, therefore, a need to ensure that the process is made more proportionate to that risk.

## 1.5 Recommendation

1.5.1 It is **RECOMMENDED** that the satisfactory outcome of an overall 'level 4' assessment from the Use of Resources Assessment 2008 is noted.

Background papers:

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Nil

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