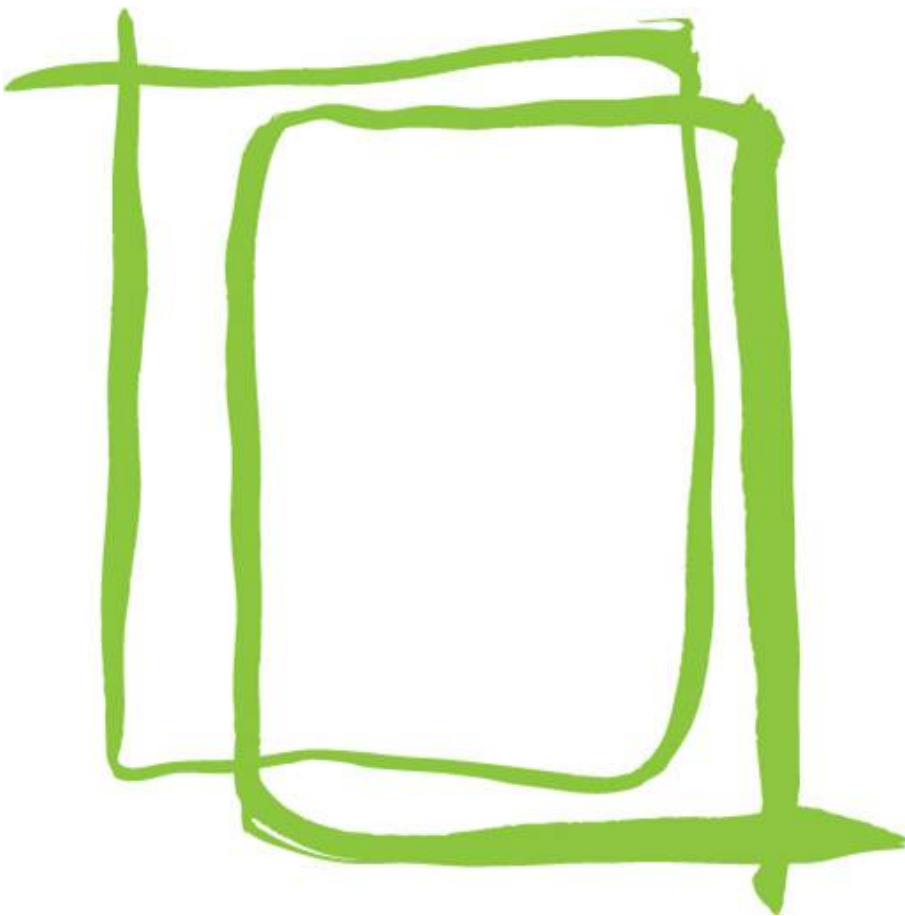


# Use of Resources

Copeland Borough Council

Audit 2007/08

March 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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
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# Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:
  - reflect developments in professional guidance, legislative requirements and best practice; and
  - signal some of the changes proposed for the new use of resources under CAA, smoothing the transition to CAA.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

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**Table 1 Standard scale used for assessments and inspections**

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

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- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2008, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
  - 5 The five theme scores for Copeland Borough Council are outlined overleaf. The Council has the opportunity to request from the Audit Commission a formal review of its overall use of resources score after 8 December 2008. The relevant period for this request closes on 19 December 2008. If such a review is sought, this report will be finalised after this has been completed.

- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

# Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2008</b>	<b>Score 2007</b>
<b>Financial reporting</b>	<b>1</b>	<b>1</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	1
1.2 The Council promotes external accountability.	1	2
<b>Financial management</b>	<b>1</b>	<b>2</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	1	2
2.3 The Council manages its asset base.	1	3
<b>Financial standing</b>	<b>2</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	2	2
<b>Internal control</b>	<b>1</b>	<b>2</b>
4.1 The Council manages its significant business risks.	1	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
<b>Value for money</b>	<b>2</b>	<b>2</b>
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

# Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

## Financial reporting

<b>Theme score 1</b>	
<b>Key findings and conclusions</b>	
<p>The Council did not have adequate arrangements in place in 2007/08 to produce annual accounts in line with the statutory timetable and in accordance with professional standards. As a result, the Council was unable to publish its audited accounts for the year by the 30 September 2008 deadline. The Council has failed to prepare an annual report which is accessible to the public.</p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Draft accounts were presented to, and approved by the Audit Committee in June 2008. Although this was in line with the specified timetable, these accounts were incomplete and inaccurate, for example:</p> <ul style="list-style-type: none"> <li>• the disclosure notes in respect of financial instruments were not included; and</li> <li>• there were obvious balancing figures in the statements.</li> </ul> <p>As a result, the draft statements were returned to the Council as 'un-auditable'.</p> <p>The draft accounts were not supported by working papers and had not been subject to quality control review before submission to the Audit Committee.</p> <p>The Council had lost a number of key staff from the finance team during 2007 and had been unsuccessful in replacing them. As a result, temporary staff were employed on short term contracts and were relied upon for the preparation of the accounts.</p> <p>Recognising the weaknesses in both the accounts themselves, and the arrangements in place for their preparation, the Council took immediate action to buy in specialist accountancy support to prepare revised 2007/08 accounts. These were presented to the</p>

## Theme summaries

Theme score 1	
	<p>Audit Committee for approval and then submitted for audit in November 2008.</p> <p>To improve, the Council needs to ensure that it addresses gaps in skills and capacity in the finance team and that it has appropriate and robust project plans in place to prepare and quality assure the accounts before the deadline in future years.</p>
KLOE 1.2 The Council promotes external accountability.	<p>Copeland makes available the agendas, reports and minutes of its meetings through the website and in Council offices. This helps to ensure public accountability.</p> <p>Although the Audit Committee approved a set of accounts before the 30 June deadline, the Council had failed to publicise how local electors can exercise their rights in accordance with the Accounts and Audit Regulations 2003. This was because the finance team lacked the necessary understanding to make the appropriate arrangements once notification of the audit was given. This notice was therefore not published until October 2008 and as a result, the earliest possible date at which the audit opinion can be given and the audit closed is 18 December 2008.</p>

## Financial management

<b>Theme score 1</b>	
<b>Key findings and conclusions</b>	
<p>The Council has a medium-term financial strategy in place which, together with the budget and capital programme supports delivery of the Council's strategic priorities. However, weaknesses in financial systems have undermined the Council's ability to ensure it has arrangements in place to monitor performance against budgets. There are fundamental weaknesses in the Council's arrangements for managing its asset base.</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>An MTFS covering 2007/08 had been approved in 2007 with a more update to date strategy covering the period 2008/09 to 2010/11 being approved in February 2008. These are supported by a three year capital programme and budget strategy and an annual treasury management strategy. The plans cover national priorities e.g. Gershon efficiency savings and the impact of single status as well as linking to local priorities. However, the issues with the audit of the accounts in both 2006/07 and 2007/08 means that the Council lacks robust information on the level of reserves it holds and on which the financial strategy depends.</p> <p>To further improve, Copeland needs to ensure that:</p> <ul style="list-style-type: none"> <li>• the corporate business plan projects forward at least three years and takes account of each of the following: <ul style="list-style-type: none"> <li>– external drivers, including funding variations and requirements to improve efficiency;</li> <li>– capital investment plans and their revenue implications;</li> <li>– sensitivity analysis; and</li> <li>– expected developments in services;</li> </ul> </li> <li>• the medium-term financial strategy is fully linked to other internal strategies / plans as appropriate, eg human resources, IT;</li> </ul>



## Theme summaries

Theme score 1	
	<ul style="list-style-type: none"> <li>• budgets are linked to:               <ul style="list-style-type: none"> <li>– the medium-term financial strategy and high level budgets for future years within this;</li> <li>– business and activity plans;</li> <li>– operational activity indicators that are lead indicators of spend; and</li> <li>– risk assessments of material items of revenue and capital income and expenditure; and</li> </ul> </li> <li>• the Council regularly reviews financial management arrangements to ensure that they remain ‘fit for purpose’, and keeps the financial services function under review to consider capacity, resourcing and training needs.</li> </ul>
KLOE 2.2 The Council manages performance against budgets.	<p>The Council has overall arrangements in place to ensure that appropriate member committees receive budget monitoring information. However, problems with financial systems and financial management mean that members cannot be assured that the reports they received were consistent with underlying financial records. This is because reconciliations between the General Ledger which produces these reports and the fundamental information processing systems such as Housing Benefits, Council Tax, Business Rates and Payroll were not completed regularly during the year. Where the reconciliations were completed, they were not necessarily done on a timely basis and were not subject to appropriate review procedures.</p> <p>The Council does not have robust arrangements in place to identify those partnerships where it ought to assess the financial performance of the partnerships on a regular basis. The Council's approach is limited to those partnerships where it is the lead or host.</p>

Theme score 1	
	<p>To improve the Council should:</p> <ul style="list-style-type: none"> <li>• ensure the timeliness and accuracy of reconciliations between information processing systems and the general ledger; and</li> <li>• put in place robust arrangements for assessing partnerships and putting in place appropriate monitoring arrangements.</li> </ul>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council has outsourced asset management to a private sector service provider. However, the register of assets held by this contractor could not be reconciled to that which the Council holds as its Fixed Asset Register. The differences related to:</p> <ul style="list-style-type: none"> <li>• disposals not recorded on the Council's register;</li> <li>• assets on the contractor register but not on the Council register;</li> <li>• assets which had transferred to Copeland Homes that were still on Council Register; and</li> <li>• issues of classification between non-operational and community assets.</li> </ul> <p>Although the two registers have now been reconciled, this was done during 2008/09. This means that for 2007/08, the Council cannot demonstrate that it was properly managing its asset base.</p>

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Financial standing

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council set a balanced budget for 2007/08 linked to cost pressures and council tax levels. Reserves as reported in the MTFs were considered to be adequate but this is subject to the outcome of any issues arising from the audit of the 2006/07 and 2007/08 accounts which are still ongoing. The Council has kept its 2007/08 spending within budget for both revenue and capital. The quarter three capital monitoring report to the end of December 2007 showed that only £3.1m (48 per cent) of the capital budget had been spent but then went on to comment that ‘ Managers have indicated that apart from a small number of projects most should be completed within the financial year’. Although it was expected that £1m of the Coastal Fringe programme would be underspent the overall capital programme showed a significant underspend of £2.74m (43.2 per cent) at the year end.</p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>I have already identified that there are weaknesses in financial management in terms of the assurance that can be taken from the budget monitoring reports. In addition to this it is clear that improvements are required in ensuring the robustness of in year projections for revenue and capital outturn so that any significantly under or overspending is identified and addressed.</p> <p>The Council has continued to set targets for income collection and the level of arrears and performance is monitored. However, no assessment has been made as to the effectiveness of debt recovery actions or associated costs.</p> <p>To improve the Council should:</p> <ul style="list-style-type: none"><li>• continue to keep spending within budget whilst also ensuring that any significant areas of underspending or overspending are identified during the year; and</li><li>• evaluate the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly and assess the impact on debt recovery arrangements.</li></ul>

Internal control

<b>Theme score 1</b>	
<b>Key findings and conclusions</b>	
<p>The Council experienced significant failings in internal control in the early part of 2008/09 which are a result of problems arising in 2007/08. These relate to the loss of key staff at the Council. Although the Council has a risk management strategy and processes in place, it is clear from the breakdown in internal control that the arrangements and process did not work as intended. Arrangements to promote and ensure probity and propriety in the conduct of the Council business were found to be adequate with arrangements including codes of conduct for members and staff, an Anti-Fraud and Corruption Strategy and a Confidential Reporting Code.</p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>The Council has adopted a risk management strategy and policy that has been approved by members. This requires the Council to:</p> <ul style="list-style-type: none"> <li>• identify corporate and operational risks;</li> <li>• assess these risks for likelihood and impact;</li> <li>• identify mitigating controls; and</li> <li>• allocate responsibility for the mitigating controls.</li> </ul> <p>However, the arrangements in place during 2007/08 have not worked as intended. As a result, the Council has been exposed to significant risk as a result of the loss of key staff, most notably in the finance team.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The Council undertakes an annual review of the effectiveness of its governance framework, including the system of internal control, and this was reported in the annual governance statement. In doing this review, the Council, placed reliance on the work of internal audit to ensure that systems and processes were working as intended. However, key weaknesses in business continuity planning and in responding to and acting on outstanding audit recommendations were not reflected in the annual governance statement, despite their seriousness.</p>

Theme score 1	
	<p>In addition, the weaknesses in systems reconciliations already referred to above, and which had already been reported by Internal Audit, were not reflected as serious control issues in the annual governance statement.</p> <p>Of greater significance, however, is that the Council appointed a Head of Finance and Business on a temporary contract in the latter half of 2007/08 who was also appointed to the statutory role of Chief Finance Officer (known as the Section 151 officer). In June 2008, this officer had 'resigned' her responsibilities but it appears that there was a lack of clarity about who knew this had happened. There was an assumption that the statutory responsibility of Section 151 officer had 'automatically' transferred to her deputy head but nothing formal had been done in terms of this appointment.</p> <p>In June 2008, the Council formally appointed a new Section 151 officer but because there were only 2 qualified accountants in the Council at this time, this was, of necessity, the Head of Internal Audit. This has compromised the independence of Internal Audit.</p> <p>The Council should:</p> <ul style="list-style-type: none"><li>• ensure that the sources of assurance to support the governance statement have been properly identified and are reviewed by senior officers and members so that all significant governance issues are properly reflected in the statement;</li><li>• put in place action plans to address the significant governance issues reported in the governance statement;</li><li>• ensure that it has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government and is therefore independent of managerial and operational responsibility;</li></ul>

Theme score 1	
	<ul style="list-style-type: none"> <li>• there is a business continuity plan in place which is reviewed and tested on a regular basis;</li> <li>• arrangements are in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful; and</li> <li>• arrangements in place to ensure that it has a sound system of internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.</li> </ul>
<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>The Council was involved in the Audit Commission's National Fraud Initiative (NFI) but did not submit electoral registration details this time. During the year no assessment has been made as to how effectively members comply with the code of conduct and a formal risk assessment has not been undertaken which would support the Council's ability to demonstrate a proactive approach to counter fraud and corruption work.</p> <p>The Council should:</p> <ul style="list-style-type: none"> <li>• ensure that electoral registration details are provided for the next NFI exercise;</li> <li>• undertake an assessment of standards of conduct including reviewing how effectively members are complying with the code of conduct; and</li> <li>• produce a fraud risk assessment which covers all areas and services of the Council and update it regularly to provide clarity about what is being done in each area.</li> </ul>

Value for money

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council has worked hard to ensure it delivers value for money. However, whilst some services are able to show lower costs with higher quality the picture is not consistent or sustained across the Council. Recycling BVPIs showed improvement. The Council's performance in dealing with major and minor planning applications improved during the year although this was at an increased cost but still below the average for district councils. Improvements were seen in the benefits service but its costs are still in the top quartile for district councils. Central services costs per head were high as the Council has had to invest in specialist staffing and new systems as part of its identified improvement agenda. Capital monitoring is undertaken but is confused by the inclusion of revenue schemes within the report.</p> <p>Efficiency savings are being achieved and being re-invested in order to achieve more corporate and local priorities. The Council's approach to procurement includes purchasing through existing consortia and centralised e-procurement including Cumbrian partners. In seeking to reduce costs of the benefits service the Council has entered into a shared management agreement with Carlisle City Council.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>In order to further improve the Council should continue to focus on:</p> <ul style="list-style-type: none"> <li>• reducing the costs for service delivery where these are above average; and</li> <li>• improving the quality of service provided where this is below average.</li> </ul>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>To improve the council should:</p> <ul style="list-style-type: none"> <li>• ensure the monitoring and reporting of cost information includes trends over time and that any actions taken as a result of comparisons and benchmarking are routinely monitored and reviewed;</li> <li>• strengthen further the arrangements by implementing the actions in the recent Data Quality report;</li> <li>• evaluate the impact and outcomes of its investments to improve service quality and demonstrate any VFM benefits arising from this investment;</li> </ul>

Theme score 2	
	<ul style="list-style-type: none"><li>• evaluate the effectiveness of its major partnerships and demonstrate the benefits from these way of working in terms of improved customer service and quality and better VFM; and</li><li>• evaluate the effectiveness of its use of external funds to support strategic priorities and demonstrate the benefits from this funding in terms of improved VFM and benefits for the local community.</li></ul>



# Conclusion

- 8** The Council's performance demonstrates a deteriorating position in several areas. Financial reporting remains inadequate and financial management and internal control are now assessed as being inadequate. Significant improvements are required for the Council to put in place arrangements that are regarded as adequate. Improvements required in respect of areas currently assessed as inadequate include:
- addressing the gaps in skills and capacity in the finance team;
  - putting in place appropriate and robust project plans to ensure that the accounts are prepared and quality assured before the June deadline;
  - ensuring that the Council publicises how local electors can exercise their rights in accordance with the Accounts and Audit Regulations 2003 so that in future audit opinion can be given and audited accounts published by the September deadline;
  - ensuring timely and accurate reconciliations between information processing systems and the general ledger to support the budget monitoring process;
  - putting in place robust arrangements for assessing and monitoring partnerships;
  - ensuring that an up to date asset register is in place;
  - ensuring that risk management arrangements operate;
  - ensuring that the sources of assurance to support the annual governance statement have been properly identified and reviewed by senior officers and members so that all significant governance issues are properly reflected in the statement and that an action plan to address these issues is put in place;
  - ensuring that it has an internal audit function operates in accordance with the CIPFA code of practice for internal audit in local government and is therefore independent of managerial and operational responsibility;
  - regularly review and test business continuity plans; and
  - ensuring that when there are staff changes that there is clarity over responsibility for maintaining arrangements that ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

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## Use of resources 2008/09

- 9** From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 10** Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.

- 11** The assessment is structured into three themes:
  - managing finances: sound and strategic financial management;
  - governing the business: strategic commissioning and good governance; and
  - managing resources: effective management of natural resources, assets and people.
- 12** The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For district councils, auditors will assess work force planning.
- 13** The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

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## USE OF RESOURCES 2007/8 – ACTION PLAN

<b>Theme score/sub section score in UoR 2008/09</b>	<b>2007/08 Use of Resources Auditor's Recommendation for Improvement</b>	<b>Actions undertaken in 2008/09</b>	<b>Additional Planned Improvements (Actions the responsibility of the Head of Finance and MIS unless otherwise annotated_</b>
Financial Reporting  1/1	<b>1.1</b> The Council needs to ensure that it addresses gaps in skills and capacity in the finance team and that it has appropriate and robust project plans in place to prepare and quality assure the accounts before the deadline in future years	Capacity being addressed. Vacancies filled by 15 <sup>th</sup> December 2008. Skills audit underway. Detailed closure plan published in February, together with detailed timetable. Plan agreed by CMT in February. Plan includes milestones and quality assurance procedures.  Further detail of planning and work for closure 2008/09 presented in the Action Plan attached to the Annual Governance Report 2006/07.  Interim structure of Accountancy was confirmed in January 2009, and agreed with team members, to ensure lines of reporting and responsibilities were clear during closure of accounts 2008/09.	Budget resources for 2009/10 have been increased to provide for an additional accountant, who will have responsibilities for capital and project accounting. This is gap was identified as a result of the 07/08 closure process, through the progress of budget monitoring 08/09.  Final structure of team to be proposed during 2009/10 in Q2, for implementation in Q3 in 2009/10 – reflecting closure 2009/10 experience, and the appointment of the new Accountant position and the return of one experienced AAT member of staff from maternity leave.
1/1	<b>1.2</b> The Council needs to ensure that opportunities for local electors to exercise their rights in accordance with Accounts and Audit Regulations are publicised.	Closure of Accounts Plan 2008/09 includes specific responsibilities and dates to ensure electors can exercise their rights.  Draft letter and public notice included in the closure working papers.	

<b>Theme score/sub section score in UoR 2008/09</b>	<b>2007/08 Use of Resources Auditor's Recommendation for Improvement</b>	<b>Actions undertaken in 2008/09</b>	<b>Additional Planned Improvements</b> (Actions the responsibility of the Head of Finance and MIS unless otherwise annotated_)
Financial Management  <b>1/2</b>	<p><b>2.1 a)</b>The Council needs to ensure that : The Corporate Business Plan (MTFS?) projects forward at least 3 years and takes account of each of the following:</p> <ul style="list-style-type: none"> <li>• external drivers, including funding variations and requirements to improve efficiency;</li> <li>• capital investment plans and their revenue implications</li> <li>• sensitivity analysis</li> <li>• expected developments in services;</li> </ul> <p>The MTFS linked to other internal strategies/plans as appropriate, eg HR, IT; Budgets are linked to: b) the MTFS and high level budgets for future years within this; c) business and activity plans d) operational activity indicators that lead indicators of spend e) risk assessments of material items of revenue and capital income and expenditure</p>	<p>a) MTFS in place for a three year period, this predicts impacts of external financial influences with appropriate risk management allowances. MTFS makes use of reserves to delivery of council priorities. Allowance has been made to ensure recession impact taken into account, climate change is addressed and locality working arrangements protected.</p> <p>b) &amp; c) Existing MTFS amended in February 09 as part of 09/10 budget setting to reflect pressure from recession, whilst protecting key services and plans. Opportunity was taken to correct previous budget inconsistencies e.g. NCL maintenance contribution, Public Buildings fund over provision. Service plans prepared against this financial and priority backdrop.</p> <p>c)Reviewed list and timetable of land and property disposals to adapt to change in the economic climate</p> <p>d) Budget cognizant of activity levels and budget adjusted accordingly e.g. increased investment in Housing services (£250,000) Planning establishment, Crematorium and Car Parking income.</p> <p>Searching for Best Value project underway in support of vfm and spend comparators. Workforce planning underway to match establishment to business requirements over time.</p> <p>T-Enabling board integrating service planning with strategic planning introduced 3<sup>rd</sup> Quarter 08/09</p>	<p>The role of the Resource Planning Working Group will be developed further in 2009 ensuring budgets are linked to strategic objectives</p> <p>Council Budget agreed 24<sup>th</sup> February 2009, which included revised three year budget plans for revenue and capital expenditure (2009/10 to 2011/12)</p> <p>Budget monitoring timetable for 2009/10 to include monthly exception reporting to CMT in addition to quarterly reporting to Executive</p> <p>Prepare contingency plan for expected upturn and/or review alternatives.</p> <p>Searching for Best Value project is due to be completed within 2009/10 and to provide the 2010/11 budget process with early indications of priorities. Completion of Workforce Plan has target date of April 2010. (lead by the Head of Policy and Performance)</p>

<b>Theme score/sub section score in UoR 2008/09</b>	<b>2007/08 Use of Resources Auditor's Recommendation for Improvement</b>	<b>Actions undertaken in 2008/09</b>	<b>Additional Planned Improvements</b> (Actions the responsibility of the Head of Finance and MIS unless otherwise annotated_)
	<p>The Council regularly reviews financial management arrangements to ensure that they remain 'fit for purpose', and keeps the financial services function under review to consider capacity, resourcing and training needs</p>	<p>e) Risk based reserve established for 2008/09 to reflect consideration of material risks to revenue budget achievement. Revised capital and revenue monitoring reporting format introduced in Q3 for 2008/09 which will facilitate scrutiny and flagging of variances in relation to income generation compared to budget.            Risk based reserve 2009/10 revised as part of budget preparation process.</p> <p>Interim structure of Accountancy was confirmed in January 2009, and agreed with team members, to ensure lines of reporting and responsibilities were clear during closure of accounts 2008/09.</p> <p>A mentoring arrangement for Head of Finance has been put in place, in accordance with District Auditor advice.</p>	<p>Budget monitoring format to be reconsidered during 2009/10 as part of Service Plan objectives to improve financial processes and procedures.</p> <p>Corporate Improvement Board to be engaged in improvement planning/program monitoring.</p> <p>Final structure of team to be proposed in Q2, for implementation in Q3 in 2009/10 – reflecting closure 2009/10 experience, and appointment of an additional Accountant and return of one member of staff from maternity</p> <p>Financial Training for finance staff, budget holders and members included in the Finance Service Plan 2009/10.</p> <p>Recently fully-qualified AAT to commence CIPFA qualification training in 2009/10 as part of long-term planning for capacity and skills improvement.</p>

<b>Theme score/sub section score in UoR 2008/09</b>	<b>2007/08 Use of Resources Auditor's Recommendation for Improvement</b>	<b>Actions undertaken in 2008/09</b>	<b>Additional Planned Improvements</b> (Actions the responsibility of the Head of Finance and MIS unless otherwise annotated_)
<b>1/1</b>	<p><b>2.2</b> The Council should :</p> <p>a) ensure the timeliness and accuracy of reconciliations between information processing systems and the general ledger; and</p> <p>b) Put in place robust arrangements for assessing partnerships and putting in place appropriate monitoring arrangements.</p>	<p>Reconciliations procedures for key systems have been revised in Q4 and are in place. Monitoring process has been established to evidence the reconciliation activity. Report set up on shared w: drive for finance.</p> <p>Reported through audit review at year end. Part of annual audit of major systems.</p> <p>Pilot of Idea Marketplace commenced in Development Operations section running from February until April 2009, this will introduce a facility for report and analysis of spend</p> <p>Budget monitoring for Q3 (2008/09) involved development of funding register to identify external funding of projects to assist with Closure of Accounts 2008/09.</p> <p>Partnership monitoring framework agreed in principle by CMT in February 2009. Working Group established involving CMT to progress this work during 2009/10.</p>	<p>Reporting of systems reconciliations to be a standard item for Accountancy Management team, and then to the Head of Finance during 2009/10.</p> <p>Review of financial systems contained in Audit Plan 2009/10.</p> <p>Further pilot of Idea Marketplace to be undertaken in Finance from April – September 2009 and thereafter will be rolled out authority wide to be in place by end of March 2010. Information gained over time will enable review and potential introduction of efficiencies and savings through knowledge of supplier base and costs, and availability of alternatives. (Lead: Head of Development Operatiopns)</p> <p>Development of funding register in 2009/10 to complement partnership framework. An action for Q2, following the appointment of the Projects Accountant.</p> <p>Partnership framework to be agreed by Executive in 2009/10. (Lead: Head of Development Strategy)</p>
	<p><b>2.3</b> The Council needs to be able to</p>	<p>Much work was undertaken during preparation of</p>	<p>Asset Management Plan to be reviewed and updated</p>

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1/3	reconcile its Fixed Asset Register and the register of assets managed by the contractor who manages the Council's property assets externally.	<p>Accounts 2007/08 (Q2) in 2008 to improve the quality of the Fixed Asset Register.</p> <p>Revised procedures with Capita were agreed in January 2009 to improve property asset information capture both in the asset register and the accounts. Roles and responsibilities in respect of Capita and the Council (Finance and Property Management) have been clarified.</p> <p>A specific project which commenced in Q4 will continue during closure (in April) and the Fixed Asset module within the accounting ledger (this has been developed and implemented over the last two months) and this will result in the fixed asset closing balances from the 08/09 closure process being captured on the ledger.</p> <p>The Closure Pack 2009/10 (issued on 17<sup>th</sup> Feb 2009) to Managers includes a return relating to the acquisition and disposal of all assets and this information will be cross-checked to the Capita records. Briefing sessions for budget holders have commenced. The first was held on 10<sup>th</sup> March.</p>	<p>by December 2009. (Lead Head of development Operations)</p> <p>From April 2009, disposals to be taken through Resource Planning Working Group for Member information.</p> <p>In September 2009, an analysis of rents paid across the authority will be undertaken. A centralized schedule of rent income will be created this will improve revenue monitoring and budget setting. Schedule of subsidized rents will then be confirmed to Resource Planning Working Group for transparency and updated annually. (Lead Head of development Operations)</p> <p>Phase 1 of Fixed Asset Module in TASK to be completed by 30<sup>th</sup> May 2009. This will be further developed in Q2 and Q3 to support preparation for 09/10 and the transition to International Financial Reporting Standards, which will require greater sophistication in reporting assets.</p>
Financial Standing	<b>3.1</b> The Council should continue to keep spending within budget whilst also	Reliability and functionality of TASK accounting ledger to assist budget holders monitor budgets	Further development of TASK are programmed for 09/10, using slippage from capital programme 08/09



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<b>2/2</b>	<p>ensuring that any significant overspending or underspending are identified during the year;</p>	<p>has increased during the year.</p> <p>Filling of key vacancies in Finance by 15<sup>th</sup> December 2008 enhanced the technical skills of the Accountancy team, bringing more robust scrutiny of the existing ledger and new ideas and approaches to budget management practices in general.</p> <p>Specific development in Q4 to enable the piloting of 'on-line' budget forecasts by budget managers with L&amp;ES and Finance.</p> <p>Improvements to Cost Centre hierarchy and virements from regeneration holding account to reflect revised management structures in 2008/09 implemented in Q4, improving the appropriateness and clarity of reporting.</p> <p>Procedures for revenue and capital monitoring significantly amended in Q4 (2008/09) to ensure system more robust, clearly showing gross expenditure and income – to enable better scrutiny of the actual position and the projections.</p>	<p>(due vacancies and impact of closure 07/08) to enable projections to be posted on line and the audit trail maintained.</p> <p>2009/10 Budget more clearly understood by members and officers as a result of budget setting process via the Resources Planning Working Group in November and December 2008</p> <p>Finance Service Plan has key objective of improving financial management practices during 2009/10, through training, systems documentation, introduction of a finance handbook and continual development of reporting.</p> <p>Monthly exception reporting to Corporate Team to be further developed in 2009/10.</p> <p>Best practice being adopted to be reported/recommended to Exec in 2009.</p>

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	The Council should evaluate the cost effectiveness of recovery actions, associated costs and the cost of not recovering debt promptly and assess the impact on debt recovery arrangements.	Quarterly monitoring to Executive has continued during the year.	Plan to undertake an evaluation process during 09/10, to be led by the RBS Operations Manager.
Internal Control  1/1	<b>4.1</b> The Council should put arrangements in place to mitigate the risk arising from the loss of key staff, notably in the finance team	The Council has almost completed a pay and grading review, which has included recruitment and retention of staff with scarce skills, and remuneration packages.	There is an objective in Corporate Plan to devise a Workforce Plan by April 2010, covering workforce development and succession planning and reward strategy. (Lead: Head of Policy and Performance)  The strategic risk register is under review and will be adopted by 30 June 2009. (Lead: Head of Policy and Performance)  Finance service plan includes development of documentation of key systems and procedures to help mitigate some of the risks from staff turnover.  Restructure to be finalized in Q2 2009/10, reflecting closure of accounts experiences.
1/1	<b>4.2</b> The Council should : 1) ensure that the sources of assurance to support governance statement had been properly identified and are reviewed by senior officers and members so that all significant governance issues are properly reflected in the statement;	1). Plan drawn up for AGS 2008/09 to be reported to Audit Committee in May, to ensure inclusion in Statement of Financial Accounts. CIPFA FAN guidance to be used to prepare the statement, and the advice from the Auditors following 2006/07 and 2007/08 audit.	AGS to be completed in time for Audit Committee 3 June 2009. Additional support from group of Heads of Service on process and robustness of evidencing AGS. (Lead: Head of Policy and Performance)

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	<p>2) put in place plans to address the significant governance issues reported in the governance statement;</p> <p>3) ensure that it has an internal audit function that operates in accordance with the CIPFA Code of Practice for internal audit in local government and is therefore independent of managerial and operational responsibility;</p> <p>4) there is a business continuity plan in place which is reviewed and tested on a regular basis.</p> <p>5) Arrangements are in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;</p> <p>6) arrangements are in place to ensure</p>	<p>2) Improvements identified as needed were included in the Council's database of Outstanding Audit recommendations and monitored by Corporate Team and Audit Committee throughout 2008/9.</p> <p>3) Internal audit conducted support work for the preparation of the 2007/08 accounts, but this related to transactions which have already been audited. A record of the decisions made by the Audit Manager, as Acting s.151 Officer during interim arrangements in the summer of 2008 is in place to ensure the independence of any subsequent review. Compliance with CIPFA code of Practice for Internal Audit in Local Government will be reported to the Audit Committee at end of May 2009.</p> <p>4) The BCP was signed off by Corporate Team on 9<sup>th</sup> March and is thereafter subject to annual review.</p> <p>5) S151 &amp; Monitoring Officer obligate consultees on all reports involving Council expenditure including Urgent Actions</p> <p>6) Reconciliations procedures for key systems</p>	<p>This is the basis of the audit plan 2009/10 i.e. finance is fully resourced and audit acts independently.</p> <p>The position of non-audit to audit work will continue to be monitored and reported quarterly to the Audit Committee.</p> <p>A BCP test will be arranged for the 2<sup>nd</sup> Q of 09/10 (Lead: Head of Legal and Democratic Services)</p> <p>Monthly reporting to Head of Finance will be introduced in 2009/10. Continue to be reported through Audit Plan 2009/10.</p>

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	that it has a sound system of internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.	have been revised in Q4 and are in place. Monitoring process has been established to evidence the reconciliation activity. Report set up on shared w: drive for finance.  Reported through audit review at year end. Part of annual audit of major systems.	
1/2	<b>4.3</b> The Council should 1 ) ensure that electoral registration details are provided for the next NFI exercise;  2) undertake an assessment of standards of conduct including reviewing how effectively members are complying with the code of conduct;  3) produce a fraud risk assessment which covers all areas and services of the Council and update it regularly to provide clarity about what is being done in each area.	1) completed on 27/01/09  2) quarterly review in workplan for standards committee 09/10 (agreed 2 March 09)  3) risk is documented for each activity and audit activity is recorded on individual systems files.	Included in Audit Service Plan for 09/10 as a key objective to co-ordinate the information from service plans and audit plans into one document and report on the conclusions to Audit Committee.
Value for Money  2/2	<b>5.1</b> The Council should continue to focus on 1) reducing its costs for service delivery where these are above average; and 2) improve the quality of service provided where this is below average.	1) Evidence from Searching for Best Value Pilots confirms many services do not have comparative data and this needs to be rapidly developed. 2) 2) General service performance improving against majority of BVPIs. Still need to improve more quickly in some areas.	1) Managers group session to reinforce the need to maintain up to date and robust measures of performance and costs. Corporate Value for Money strategy to be developed by 30 September 2009. 2) Elements of underperforming services (particularly Robberies per 1,000 population; % of employees with a disability; Ethnic minority representation in

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			workforce; No of households where homelessness prevented; Plan-making-milestones met; Households waste composted) will be monitored through action plans. (Lead: Head of Policy and Performance)
	<p><b>5.2</b> The Council should</p> <p>a) ensure the monitoring and reporting of cost information includes trends over time and that any actions taken as a result of comparisons and benchmarking are routinely monitored and reviewed.</p> <p>b) strengthen further the arrangements by implementing the actions in the recent Data Quality report</p>	<p>a) Baseline being established as part of Searching for Best Value</p> <p>b) Deliver Action Plan which includes:            Inclusion of data quality responsibility in job profiles;            Inclusion of data quality strategy and include in service plans;            Managers to ensure that procedures and guidance are in place for all data systems;            Regular sampling included in DQS and covered in training;            Instruction to ensure that 3<sup>rd</sup> party protocols are in place;            Instruction to ensure that audit trails for indicators are clear and robust;            Training;</p> <p>Internal audit from Q4 2008/09, include compliance with Data Quality corporate management arrangements as part of routine system audits.</p> <p>Improve arrangements for reconciling waste and</p>	<p>Searching for Best Value programme due to be started in April 2009 and run throughout the Council year. See 5.1 above (Lead: Head of Policy and Performance)</p> <p>Target dates for Data Quality Management Action Plan (Lead: Head of Policy and Performance)            30 April 2009</p> <p>31 March 2009</p> <p>31 December 2009            Second round of training to be run in 2009</p> <p>31 March 2009</p> <p>31 March 2009</p> <p>2<sup>nd</sup> round of training by 31 December 2009</p> <p>Also included in Internal Audit Plan for 2009/10</p> <p>Cumbria Waste Management Strategic Partnership</p>

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	<p>c) should evaluate the effectiveness of its use of external funds to support strategic priorities and demonstrate the benefits from this funding in terms of improved vfm and benefits for the local community.</p> <p>d) should evaluate the effectiveness of its major partnerships and demonstrate the benefits of this way of working in terms of improved customer service and quality and better vfm.</p> <p>e) should evaluate the impact and outcomes of its investments to improve service quality and demonstrate any vfm benefits arising from this investment.</p>	<p>recycling data.</p> <p>c) Individual projects can show evidence of analysis. No single register exists. This will be developed during 09/10 The Local Authority Business Growth Initiative (LABGI) has been used over the past two years to underpin existing regeneration programmes in our market towns and Whitehaven by offering additional business support capacity and focused work with businesses and business networks. The evaluation of the MTIs has recognised the value of this strategic input.</p> <p>d) a Corporate Team Working Group was established in February 09 and this work will be completed during 09/10</p> <p>e) T-enabling projects include post project evaluation. Some examples in regeneration projects. Capital programme monitoring will include post project outcome assessment requirement.</p>	<p>31/3/10 (Lead Head of Leisure and Environmental Services)</p> <p>From April 2009 it is our intention to create a Capital Project Control Group, to monitor the progress of capital spend against milestones and to confirm at these stages that Contracts and Standing orders are observed. (Lead: Head of Development Operations)</p> <p>Post project evaluation reports for major projects to be taken through the Corporate Improvement Board</p>