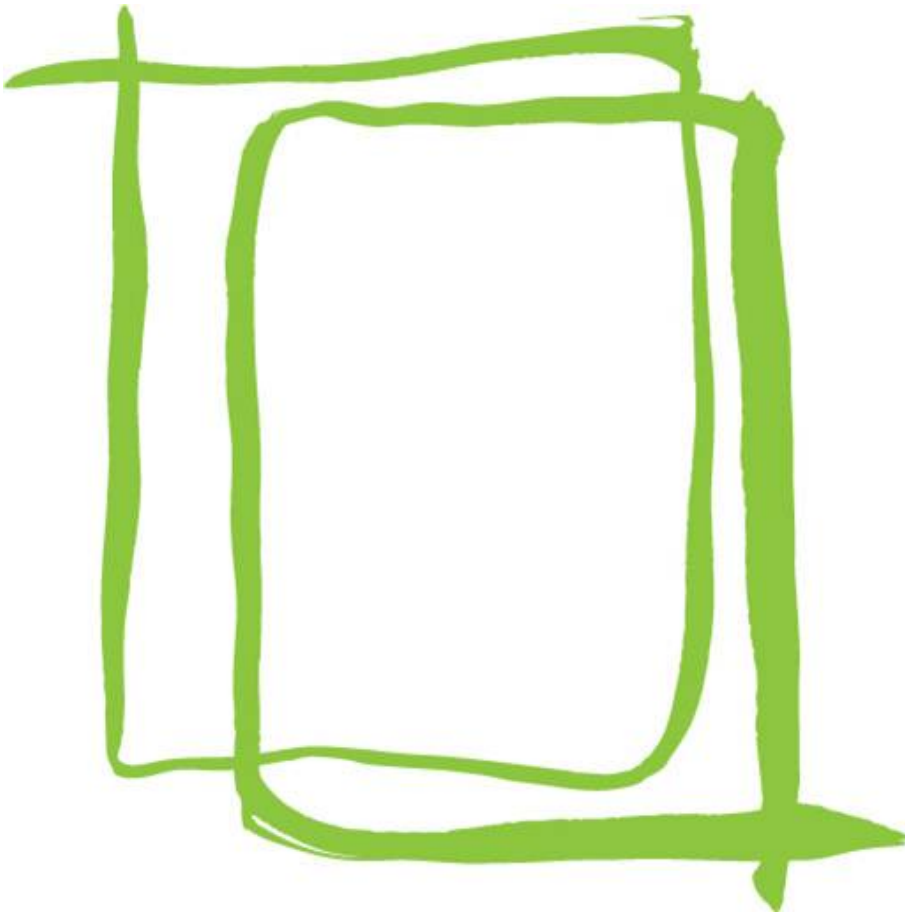


# Use of Resources

London Borough of Brent

Audit 2007/08

February 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
  - any third party.
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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 assessment Use of Resources 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 website. 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 Brent Council are outlined overleaf.
  - 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

# Use of resources judgements

- 7 The Council has performed well this year and is assessed as a level 3 which is the same as the 2007 assessment.

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

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
<b>Financial reporting</b>		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	4
<b>Financial management</b>		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	4	3
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>		
3.1 The Council manages its spending within the available resources.	3	4
<b>Internal control</b>		
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
<b>Value for money</b>		
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3
<b>Overall assessment</b>	<b>3</b>	<b>3</b>

# Theme summaries

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

## Financial reporting

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>Financial reporting arrangements at the Council are good. The overall standard of the Council's accounts, working papers and cooperation during the course of the audit has been good, but there are areas where working papers can be improved (eg the working papers should include detailed listings to support the balances in the financial statements).</p> <p>We issued an unqualified opinion on the accounts. The accounts presented for audit contained no material errors but included several non-trivial errors, which the Council amended.</p> <p>The Council advertises its accounts in the local press and makes its accounts and other key documents available on its website.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	Approve accounts, including pension fund accounts, in accordance with statutory requirements. (KLOE 1.1.1, level 2)
KLOE 1.2 The Council promotes external accountability.	Include details of the Council's environmental footprint in the annual report. (KLOE 1.2.8, level 4)

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**Financial management**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council's corporate strategy, Medium Term Financial Strategy and budgets are clearly linked to the Council's key priority areas. The Council has an up to date asset plan including short, medium and long term strategies for all non-operational properties. Notable practice has been identified in support of KLOE 2.2 based on robust budget monitoring arrangements which have resulted in a reduction in costs whilst also improving the level of services.</p>	
<b>Improvement opportunities</b>	
<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>Include in the MTFS a description, in financial terms, of any joint plans agreed with partners and other stakeholders. (KLOE 2.1.19, level 4)</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	-
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Integrate management of Council's asset base with others to deliver seamless cross-agency community based service to users. (KLOE 2.3.17, level 4)</p>

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## Theme summaries

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### Financial standing

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council's spending has been contained within budget and balances increased in line with its Medium Term Financial Strategy. However, the Council has made deposits in Icelandic banks which have been affected by worldwide financial pressures, consequently the Council's investments are at risk.	
<b>Improvement opportunities</b>	
KLOE 3.1 The Council manages its spending within the available resources.	Review arrangements to ensure that the Council's treasury management strategy, policies and procedures are robust in light of recent events.

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**Internal control**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has appropriate arrangements in place to manage its significant business risks. Risks are recorded at corporate and service line levels and reported to members. Training on risk management is available to all staff and members.</p> <p>The Audit Committee conducted an annual review of the effectiveness of the Council's governance arrangements and its system of internal control and action plans have been developed to address the identified weaknesses.</p> <p>The Council has counter fraud processes in place which are embedded in the control environment.</p>	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant business risks.	Review risk management procedures to ensure that these are embedded across the whole organisation including partnerships. (KLOE 4.1.12, level 4)
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Review strength of governance arrangements in respect of partnerships. (KLOE 4.2.22, level 4)
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.	Extend whistle-blowing requirements and monitoring to cover arrangements with contractor organisations. (KLOE 4.3.27, level 4)

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### Value for money

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council's overall spend is broadly in line with its nearest neighbours despite having one of the lowest council taxes in Outer London. Good quality services are achieved. The Council has made good progress in improving performance, reducing costs and improving value for money. However, there remains scope for the Council to further improve service delivery and develop its procurement arrangements.</p>	
<b>Improvement opportunities</b>	
KLOE 5.1 The Council currently achieves good value for money.	Establish a sustained track record of addressing areas of high spend.
KLOE 5.2 The Council manages and improves value for money.	Maintain investment in major transformation programmes in areas such as children's and adult care, customer care and human resources to sustain efficiency gains.

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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.
  - 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 single tier councils auditors will assess natural resources and strategic asset management (where there is continuity with 2008).
- 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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As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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