

Fire and rescue

Consultation

April 2006

Fire & rescue - use of resources 2006/07

Consultation key lines of enquiry

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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. Our remit covers around 11,000 bodies which between them spend nearly £180 billion of public money every year. Our work covers local government, housing, health, criminal justice and fire and rescue services.

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Introduction

- 1 The use of resources assessment evaluates how well the authority manages and uses its financial resources. It is a more stringent test of performance than the auditor scored judgements that informed fire CPA in 2005. It 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. It has five themes covering:
 - Financial reporting
 - Financial management
 - Financial standing
 - Internal control
 - Value for money
- 2 The value for money (VFM) element will complement work completed by authorities in producing their annual efficiency statements and avoid unnecessary duplication of effort on their part. Auditors will review, as part of the use of resources VFM assessment, authority's annual efficiency statements setting out the efficiency gains delivered under the 'Gershon' efficiency review.
- 3 The use of resources assessment will be conducted annually in all fire authorities and has been tailored from the local government version used in 2005. The questions on which the judgements will be based are broader and more strategic in their nature and reflect the impact of financial arrangements as well as the adequacy of those arrangements.
- 4 The value for money (VFM) judgement will draw on a self-assessment by the authority. The higher standards reflect: the new Code of Audit Practice (the Code) and the principle of continuous improvement and will also help establish clear minimum requirements that may provide the foundation for reducing regulation in the future.

Structure of the KLOE

- 5 The KLOE form the basis of the auditor's judgements and are supported by 'descriptors' for VFM and criteria for non-VFM. They describe what an authority performing at each level might look like or identify the arrangements it will have in place. Descriptors and criteria are included for performance levels 2, 3 and 4. Level 1 is represented by authorities that fail to achieve level 2.
- 6 In completing the assessment, auditors will assess which set of descriptors / criteria represent a 'best fit' for their audited body.
- 7 For the first four themes (financial reporting, financial management, financial standing and internal control) the descriptors include elements that are shown in **bold type** (these are also identified with an asterisk). These represent 'must haves' for that level and have been introduced to phase in those criteria where achievement is considered to be more demanding or requires significant investment and lead in time.
- 8 Failure to meet any of those in bold type would usually prevent that level being achieved for the KLOE. There may be exceptional circumstances where this could be varied. The descriptors are cumulative, for example an audited body that met criteria at level 3 could not be given a score of 3 unless it also met the criteria for level 2.
- 9 The use of 'must have' emboldened criteria is not employed in the VFM section as this is not underpinned by an equivalent body of professional standards making the assessment necessarily more judgemental in nature. The need for supporting evidence, however, remains as great.

Achieving Level 2 (non-VFM themes)

- 10 All criteria at level 2 are bold and are therefore 'musts'. This is because level 2 performance represents a minimum requirement and will need to be in place before an audited body can be considered for level 3.
- 11 There is also a link between achieving level 2 performance and satisfying the Code criteria for a positive VFM conclusion.

Achieving Level 3 (non-VFM themes)

- 12 To achieve level 3 performance, audited bodies must have all emboldened arrangements described at level 2 in place. These should be embedded and operating effectively with clear outcomes, which is a more demanding test than for level 2. In addition, all bold criteria at level 3 must be met. It is not necessary to achieve non-bold criteria. It is intended that over the medium term, all criteria will be bold and will need to be met.

Achieving Level 4

- 13 An authority that is performing strongly will need to demonstrate it meets all the bold criteria / descriptors, that its arrangements are effectively embedded and have an impact on outcomes.

Links with Code of Audit Practice

- 14 Under the new Code of Audit Practice from 2005/2006, auditors will be required to give a positive conclusion as to whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The scope of these arrangements is defined in paragraph 19 of the new Code as comprising corporate performance management and financial management arrangements. The auditor's VFM conclusion will be limited by reference to 'criteria specified by the Audit Commission'.
- 15 The Commission has developed a set of criteria covering 12 aspects of audited bodies' arrangements, on the basis of which auditors will give their VFM conclusion. The criteria for eight of these aspects link directly to the key lines of enquiry (KLOEs) to be applied in forming the use of resources judgement. In addressing the question of proper arrangements, auditors will be required to apply the relevant use of resources criteria that define a score of level 2 (only at minimum requirements - adequate performance).
- 16 Where an authority fails to achieve a score of level 2 for any of the key lines of enquiry that are directly linked to the eight Code criteria, the auditor may consider qualifying his or her value for money conclusion. The criteria for the other four aspects relate to performance management arrangements and data quality and are not therefore covered by the UoR judgements. These remaining criteria will be covered by corporate assessments and audit work on performance indicators.
- 17 As the criteria for the VFM conclusion and use of resources judgement are closely linked, auditors will, in practice, undertake one piece of work which will inform both their use of resources judgement for CPA and address 8 of the aspects of audited body arrangements for the purposes of the VFM conclusion. This will avoid duplication of work. However, the VFM Conclusion must be completed by 30 September so in many cases the work on the VFM Conclusion will inform the UOR judgement rather than the other way round

Appendix 1 – Use of resources key lines of enquiry

1. FINANCIAL REPORTING

How good are the authority's financial accounting and reporting arrangements?

Key line of enquiry

1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers

Audit Focus

Evidence that:

- the authority's accounts are compiled in accordance with statutory and professional reporting standards
- the authority's accounts are supported by comprehensive working papers
- the accounts and supporting working papers are prepared and approved in accordance with relevant timetables

Criteria for Judgement

Level 2

* The accounts submitted to the authority for approval were presented fairly and complied in material respects with professional accounting standards and the authority's agreed accounting policies. However, they contained several 'non-trivial' errors.

Level 3

* The accounts submitted for audit were presented fairly and contained only a small number of 'non-trivial' errors.

Level 4

The accounts submitted for audit were presented fairly and contained only errors considered 'clearly trivial'.

* The auditor received complete, auditable accounts supported by comprehensive working papers to the standard and timetable agreed with the audited body.

All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines.

The quality of the working papers provided at the start of the audit was exemplary and there was a good audit trail back from the statements to the working papers.

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The authority's accounts were prepared and approved in accordance with statutory requirements, statutory / regulatory timetables.</p>	<p>* The accounts submitted to the authority/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues.</p>	
<p>* Guidance was made available to staff on final accounts closedown procedures in advance of year-end, including adequate timetables agreed with the auditor. These were complied with to the extent that no key tasks were omitted and adequate time was left for internal checks prior to member approval.</p>	<p>* The accounts were subject to robust member scrutiny/discussion either at the formal approval meeting or at another appropriate forum prior to approval.</p>	
<p>* The authority ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account.</p>	<p>* All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines.</p>	
<p>* The auditor gave an unqualified opinion.</p>		

1. FINANCIAL REPORTING

How good are the authority’s financial accounting and reporting arrangements?

Key line of enquiry

1.2 The authority promotes external accountability

Audit Focus

Evidence that:

- the authority publishes its accounts in accordance with statutory requirements
- the authority publishes summary accounts/annual report in a way that is accessible to the public

Criteria for Judgement

Level 2

*** The authority publishes its accounts and publicises how local electors can exercise their rights, in accordance with the requirements of the Accounts & Audit Regulations 2003.**

Level 3

*** The most recent published accounts, in either full or summary format, are available on the authority’s website.**

Level 4

The authority publishes an annual report or similar document (such as a financial summary within the Best value performance Plan (BVPP)) which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.

*** The authority publishes the annual audit letter in accordance with the requirements of the Accounts & Audit Regulations 2003.**

*** The most recent published annual audit letter is available on the authority’s website.**

*** The agenda, reports and minutes for meetings of full authority, committees and scrutiny panels are made available to the public (for example on the authority’s website) on a timely basis.**

*** The authority can demonstrate that it is considering the needs of a range of stakeholders in making its decision whether to publish an annual report.**

2. FINANCIAL MANAGEMENT

How well does the authority plan and manage its finances?

Key line of enquiry

2.1 The authority’s medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities

Audit Focus

Evidence that:

- the authority’s corporate business plan (that sets out its aims and objectives) is linked to its financial planning and management
- the authority’s budgets and capital programme are based on robust medium-term financial projections and risk assessments

Criteria for Judgement

Level 2	Level 3	Level 4
* The authority has put in place a medium-term (three year) financial strategy which is linked to its key strategic objectives, and takes account of both local improvement priorities and national priorities, including the requirements of the efficiency agenda set out in FSC 8/2005.	* The authority's medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT, Integrated Risk Management Plan (IRMP), BVPP.	The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.
* The medium term financial strategy models income and expenditure over a minimum of 3 years and is reviewed and updated at least annually.	* Business planning is integrated with financial planning and drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.	The medium-term financial strategy models balance sheets and resource requirements over a minimum of 3 years.

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and capital development plans.</p>	<p>* Budgets are linked to:</p> <ul style="list-style-type: none"> • the medium-term financial strategy and high level budgets for future years within this • corporate business plans and IRMP • risk assessments of material items of revenue and capital income and expenditure, incorporating lessons learned from previous years. 	<p>The authority identifies future developments that may impact on its financial management arrangements and proactively manages them.</p>
<p>* Budget holders are involved in the budget setting process and budgets are reviewed by senior officers and members before approval.</p>	<p>The authority's medium-term financial strategy is communicated to staff and stakeholders.</p>	
<p>* Budgets are revised annually in light of the reasons for and consequences of the previous year's outturn and are linked to the medium-term financial strategy</p>	<p>The corporate business plan projects forward at least three years and takes account of each of the following:</p> <ul style="list-style-type: none"> • stakeholder and partner consultation • external drivers, including funding and requirements to improve efficiency • major capital investment plans and their revenue implications • risk assessments and financial contingency planning • sensitivity analysis • expected developments in services. 	<p>The authority monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The budget reported to members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of the LG Act 2003.</p>	<p>The authority 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>* An affordable capital programme has been agreed and the current and future funding of this is built into revenue planning.</p>	<p>* There are project appraisals, business plans and affordability tests for new policy and capital developments.</p>	
<p>* Prudential indicators are applied in assessing the affordability of capital projects.</p>		
<p>* The financing of expenditure is transparently explained in budget summaries and reports.</p>		
<p>* Each capital and revenue budget is assigned to the individual manager best able to use and control it.</p>		
<p>The authority undertakes cash-flow monitoring, which is used to inform short and long-term investment decisions.</p>		

2. FINANCIAL MANAGEMENT

How well does the authority plan and manage its finances?

Key line of enquiry

2.2 The authority manages performance against budgets

Audit Focus

Evidence that:

- the authority has arrangements in place for monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior officers and members
- the authority’s financial information systems meet users’ needs

Criteria for Judgement

Level 2	Level 3	Level 4
<p>* Budgets are approved by the authority before the start of the year and monitored regularly throughout the year.</p>	<p>* The authority uses agreed processes to adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances.</p>	<p>There is a 'traffic light' system (or similar) in place to focus members on key variances, and there is evidence that these are acted upon.</p>
<p>* Performance against budgets and efficiency plans is monitored monthly by the senior management team and at least quarterly by the authority.</p>	<p>* The authority’s budget monitoring is:</p> <ul style="list-style-type: none"> • predictive rather than backward looking • focused on large, high risk or volatile budgets • related to operational activity indicators that are lead indicators of spend and • informed by a risk assessment. 	<p>Members receive accrued financial monitoring reports at appropriate key points during the year including significant revenue account items and balances.</p>

Criteria for Judgement		
Level 2	Level 3	Level 4
* Where any significant overspends have occurred, actions have been taken to minimise the impact on service delivery.	* There has been no significant overspending in recent years.	
* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers.	* Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.	
* A senior financial officer sits on the senior management team and is supported by a suitably qualified finance section either in-house or through a service level agreement / contract.	* There is a regular training programme providing training on financial issues for members and appropriate non-finance staff.	The authority has reviewed the effectiveness and leadership it provides with regard to financial management and developed a tailored training programme to address areas of weakness. It consults with, advises and trains users so that it develops and provides the financial information systems to meet their needs.
* The authority regularly tests its financial systems to ensure that their processes are secure.	* The authority produces accurate, meaningful profiled financial monitoring reports for all budget holders within ten working days of the month end.	The authority ensures through regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients.

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources.</p>	<p>The authority's financial information systems have flexible reporting tools to enable specialist reports to be designed.</p>	
<p>* The authority receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records. Data is as up to date as possible when reported.</p>		
<p>* There is a formal scheme of budget delegation.</p>		
<p>* There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process and a budget process timetable.</p>		
<p>* Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.</p>		
<p>* Action plans are developed when a material variance arises or a deficit is forecast.</p>		

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The financial performance of significant partnerships is regularly reviewed, linked to outputs and the results shared with partners and acted upon.</p>		

2. FINANCIAL MANAGEMENT

How well does the authority plan and manage its finances?

Key line of enquiry

2.3 The authority manages its asset base

Audit Focus

Evidence that:

- the authority has a capital strategy and fixed asset management plan
- the authority reports to members on asset management

Criteria for Judgement

Level 2

*** The authority has an up to date corporate capital strategy linked to its IRMP and medium-term financial strategy.**

Level 3

*** The authority makes capital investment and disposal decisions based on thorough option appraisal and whole life costing.**

Level 4

The authority has developed an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.

*** The authority has an up to date asset management plan that details the existing asset management arrangements and outcomes, assesses backlog maintenance, and plans action to improve corporate asset use.**

*** Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.**

The authority can clearly demonstrate how changes in asset use have improved value for money.

*** The authority's arrangements for reporting to members are sufficient to ensure that they fulfil their responsibility in relation to the authority's land and buildings portfolio at both a strategic and service level.**

*** The authority has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.**

The results of performance measurement and benchmarking are communicated to stakeholders where relevant.

Criteria for Judgement		
Level 2	Level 3	Level 4
* The authority has a designated corporate property section or officer.		
* The authority maintains an up to date asset register.		
* The authority has an annual programme of planned maintenance based on a rolling programme of property surveys.		
* The authority's capital programme gives priority to potential capital projects based on a formal, objective approval process.		

3. FINANCIAL STANDING

How well does the authority safeguard its financial standing?

Key line of enquiry

3.1 The authority manages its spending within the available resources

Audit Focus

Evidence that:

- the authority is financially sound
- the authority manages its levels of reserves and balances
- current spending plans match available resources

Criteria for Judgement

Level 2

*** The authority has tended to maintain overall spending within budget and where unexpected pressures have arisen they have been managed without adverse effect on the achievement of key priorities.**

Level 3

*** The authority has consistently maintained its spending within its overall budget in the last 3 years.**

Level 4

Members monitor key financial health indicators and set challenging targets, for example levels of variances from budget, prudential framework indicators and capital programme management.

*** The authority has a policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy.**

*** The authority has a policy for reserves and balances that is based on a thorough understanding of its needs and risks and is properly and clearly reported to members.**

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 accrues.

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The authority sets a balanced budget within its Medium Term Financial Strategy that takes account of cost pressures and the impact on precept requirement and minimises the risk of council tax capping.</p>	<p>* The authority has not increased its precept by over 5% in the last 3 years and is not planning to do so in the next 3 years.</p>	
<p>* The authority monitors and maintains its levels of reserves and balances within the range determined by its agreed policy.</p>		
<p>* The budget reported to members includes a positive assurance statement from the chief finance officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the LG Act 2003.</p>		
<p>* The authority monitors the budget and underlying assumptions throughout the year and takes appropriate action to deal with any deterioration in the financial position, in accordance with the requirements of section 28 of the LG Act 2003.</p>		

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The authority has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.</p>		
<p>* The authority has made appropriate provision in its medium term financial strategy to manage the impact of reductions in government funding brought about by adjustments for the return of transitional funding in 2006/2007 and 2007/2008.</p>		

4. INTERNAL CONTROL

How well does the authority’s internal control environment enable it to manage its significant business risks?

Key line of enquiry

4.1 The authority manages its significant business risks

Audit Focus

Evidence that:

- the authority has a risk management process in place
- the risk management system covers partnership working

Criteria for Judgement

Level 2

*** The authority has adopted a business risk management strategy/policy that has been approved by members.**

Level 3

*** The business risk management process is reviewed and updated at least annually.**

Level 4

The authority can demonstrate that it has embedded business risk management in its corporate business processes, including:

- strategic planning
- financial planning
- policy making and review
- performance management

*** The business risk management process requires the authority to:**

- identify corporate and operational risks
- assess the risks for likelihood and impact
- identify mitigating controls
- allocate responsibility for the mitigating controls.

*** The business risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.**

The business risk management process considers positive risks (opportunities) as well as negative risks (threats).

Criteria for Judgement		
Level 2	Level 3	Level 4
* There is a member committee with specific responsibility included in its terms of reference to consider business risk management.	* The members and officers with specific responsibility for business risk management have received risk management awareness training.	All members and senior officers receive business risk management awareness training.
* The authority maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.	* There is evidence of appropriate member engagement in business risk management including the compilation of the risk register.	The authority's risk manager sits on the senior management team and a specific member or committee is formally assigned responsibility for business risk management.
* The IRMP is supported by an annual SMART action plan that is subject to appropriate consultation before it is finalised, published and implemented.	* The IRMP action plan is based on a thorough analysis of risk maps and 'what-if modelling' using appropriate software (FSEC, BLUE 8 etc...) that has been fully populated and validated.	The impact of major operational changes on internal control in the IRMP has been formally considered and remedial action taken where appropriate.
* There is a formal business continuity plan, emergency plan and community risk register in accordance with the Civil Contingencies Act.	* Compliance with the Civil Contingencies Act has been formally assessed and reported to Members with remedial action agreed to address residual risks.	
* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.		

4. INTERNAL CONTROL

How well does the authority’s internal control environment enable it to manage its significant business risks?

Key line of enquiry

4.2 The authority has arrangements in place to maintain a sound system of internal control

Audit Focus

Evidence that:

- the authority reviews and reports on its system of internal control
- the authority has an audit committee or equivalent and an internal audit function

Criteria for Judgement

Level 2

Level 3

Level 4

* The authority has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.

* An appropriate member group has responsibility for review and approval of the system of internal controls (SIC) and supporting sources of assurance and considers the SIC separately from the accounts.

* The authority has conducted an annual review of the effectiveness of the system of internal control and reported on this in the SIC.

* The authority has put in place an assurance framework that maps the authority's strategic objectives to risks, controls and assurances.

The assurance framework is fully embedded in the authority’s business processes.

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The core functions of an audit committee, as identified in the CIPFA guidance, have been identified and are being undertaken by members.</p>	<p>* The authority can demonstrate that it is effectively delivering the core functions of an audit committee as identified in the CIPFA guidance and that it has provided for the ability to challenge the authority when required and provide for effective leadership on governance, financial reporting and audit issues.</p>	<p>The relevant group responsible for audit and governance provides effective challenge across the authority and independent assurance on the risk management framework and internal control environment. It can also demonstrate the impact of its work.</p>
<p>* There are standing orders, standing financial instructions and a scheme of delegation in place.</p>	<p>* Compliance with standing orders, standing financial instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken. The standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate.</p>	<p>The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships.</p>
<p>* There are action plans in place to address any significant internal control issues reported in the SIC.</p>		
<p>* There are procedure notes/manuals in place for key financial systems.</p>	<p>The procedure notes/manuals for key financial systems are reviewed and updated as appropriate.</p>	

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The authority has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p>	<p>The impact of major new legislation such as the Fire and Rescue Services Act (2004) has been separately reported to Members.</p>	
<p>* All reports to members are considered for legal issues by the monitoring officer before presentation.</p>		
<p>* The roles of each of the statutory officers (Treasurer, Clerk and Monitoring Officer) are clearly defined.</p>		
<p>* The authority has identified its significant partnership arrangements and has appropriate governance arrangements in place for them.</p>		<p>Governance arrangements in respect of partnership arrangements are subject to regular review and updating.</p>
<p>* The authority has 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.</p>		

4. INTERNAL CONTROL

How well does the authority’s internal control environment enable it to manage its significant business risks?

Key line of enquiry

4.3 The authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business

Audit Focus

Evidence that:

- the authority has adopted codes of conduct and monitors compliance
- the authority’s arrangements to prevent and detect fraud and corruption are effective

Criteria for Judgement

Level 2	Level 3	Level 4
<p>* The authority has formally adopted a code of conduct for members, which includes the mandatory provisions of the statutory Model Code of Conduct. All elected and co-opted members have signed up to the code of conduct.</p>	<p>* 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 takes action as appropriate.</p>	<p>The authority has reviewed their codes of conduct and governance arrangements against published best practice and can demonstrate that they comply with this guidance.</p>
<p>* There is a counter fraud and corruption policy applying to all aspects of the authority’s business which has been communicated throughout the authority.</p>	<p>* A strong counter fraud culture is supported and promoted by members and senior officers, as evidenced by proactive counter fraud and corruption work, which is determined by a formal risk assessment and adequately resourced.</p>	<p>The authority can demonstrate a strong counter fraud culture throughout the organisation. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption and successful cases of proven fraud/corruption are routinely publicised to all staff.</p>

Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The authority has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.</p>	<p>* Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.</p>	<p>The risk of fraud and corruption is specifically considered in the authority's overall business risk management process.</p>
<p>* There is a whistle-blowing policy which has been communicated to staff and those parties contracting with the authority.</p>	<p>* The whistle-blowing policy is publicised within the authority and demonstrates the authority's commitment to providing support to whistleblowers.</p>	<p>The authority has a track record for effective action in response to whistle-blowing disclosures. There are periodic reviews of the effectiveness of the whistle-blowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.</p> <p>The authority can demonstrate that its members and staff exhibit high standards of personal conduct.</p>
<p>* The authority has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches.</p>	<p>The authority has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low). The authority works with other bodies such as DWP when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure. Weaknesses revealed by instances of proven fraud and corruption, including NFI</p>	<p>The authority can demonstrate that effective action has been taken to maximise the potential savings available through NFI.</p>

Criteria for Judgement		
Level 2	Level 3	Level 4
	data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.	
* The authority has put in place arrangements for monitoring compliance with standards of conduct across the authority including: register of interests register of gifts and hospitality complaints procedure.	* Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.	
* The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.	* The standards committee has met regularly with an appropriate agenda.	
* The authority has adopted a code of conduct for staff.	*The council is proactive in raising the standards of ethical conduct amongst members and staff, including the provision of ethics training.	

5. VALUE FOR MONEY

Value for money

Key line of enquiry

5.1 The authority currently achieves good value for money

Audit Focus

Evidence that:

- Costs compare well with others allowing for external factors
- Costs are commensurate with service delivery, performance and outcomes achieved
- Costs reflect policy decisions
- Efficient and effective use of resources in the implementation of the IRMP and action plan, including using more efficient working practices where appropriate

Criteria for judgement/descriptors

Level 2	Level 3	Level 4
Overall costs and unit costs for key services are not significantly higher than other authorities providing similar levels and standards of services, allowing for the local context.	Overall costs and unit costs for key services are low compared to other authorities providing similar levels and standards of services and allowing for the local context.	High performance is achieved across a range of priority services whilst costs remain generally low compared to others.
There is a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs.	The authority ensures that a range of quality services is delivered appropriate to statutory duties and local needs, whilst maintaining relatively low overall costs including overheads and capital.	The authority ensures that the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards. Overall spending, including overheads and capital, is consistently below that of comparable authorities.

Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
Significant unintended high spending is identified and there are plans in place to address it.	Unintended high spending is identified and addressed effectively.	The authority can demonstrate a track record for effectively addressing areas of relatively high spending.
Areas of higher spending are in line with stated priorities.	Areas of higher spending are in line with stated priorities and the investment results in improved services.	There is a sustained track record of investment leading to improved performance and greater long-term efficiency.
The authority has redeployed staff and resources and introduced changes in working practices through the IRMP (including retained duty staff).	Appropriate changes in the redeployment of staff and resources have improved costs and services.	Clear outcomes can be demonstrated from the redeployment of staff and resources and these changes have been successfully embedded.
There is an effective balance in the funding and resources provided for intervention and community fire safety.	Significant improvement in performance is demonstrated from the effective targeting of community fire safety work.	
The authority has arrangements in place to demonstrate outcomes through partnership activities.	The authority has a well managed approach to partnership activities which is linked to priorities, demonstrating effective outcomes through these activities. Where applicable, the authority is playing an active role in the pursuit of shared priorities in planning for the Local Area Agreement.	The authority can demonstrate that it evaluates the benefits from partnership activities and that these are commensurate with the cost.

Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
The authority has a well managed capital programme linked to priorities, with projects usually completed on time and on budget.	The authority has a well managed capital programme linked to priorities, with most projects completed on time and within budget.	The authority can demonstrate that it evaluates the outcomes from its capital programme and that there are identifiable improvements in service delivery.

5 VALUE FOR MONEY

Value for money

Key line of enquiry

5.2 The authority manages and improves value for money

Audit Focus

Evidence that:

- The authority monitors and reviews value for money
- The authority has improved value for money and achieved efficiency gains (limited to the last three years)
- Procurement and other spending decisions take account of full long term costs

Criteria for judgement/descriptors

Level 2

There is some information on costs and how these compare to others and to the quality of services but this is not fully understood. Managers use information to review value for money and report to members.

Level 3

There is clear information on costs and how these compare to others and to the quality of services achieved currently and over time. Members and managers routinely use this information to review and challenge value for money throughout services and corporately.

Level 4

The authority has a track record of using high quality information and benchmarking on costs and quality to actively manage performance, improve value for money and target resources. Members and managers actively use this information to review and challenge value for money throughout services and corporately. The authority regularly benchmarks its costs and quality of services achieved currently and over time.

The authority understands the full short and long-term costs of its actions and takes account of these when making decisions.

The authority has detailed information on the full short and long-term costs of its actions and takes account of these when making decisions. All policy proposals have in built cost analyses.

Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
This includes information on equity across the whole community.	Information on equity is actively used to promote access and value for money across the whole community.	Substantial improvements in equity and access to services have been achieved across the community.
	Achieving and improving value for money is being embedded in the authority's culture, for example, through the performance appraisal system.	Achieving and improving value for money is integral to the authority's performance management arrangements, resulting in high levels of understanding and awareness across the organisation.
Members and senior managers manage and reduce costs or improve quality within existing costs. Consideration is given to the likely impact on users of changes in spending levels.	Members, senior managers and service managers seek to manage costs alongside quality of services and responding to local needs. The impact on users is assessed to ensure that costs are not simply cuts without regard to outcomes.	There is strong track record of managing costs alongside quality of services and responding to local needs. The impact on users is assessed and then tracked to ensure that costs are not simply cuts without regard to outcomes.
Processes for reviewing and improving value for money are in place and have led to some improvements in value for money.	The scope for improving cost-effectiveness is kept under review and scrutiny. There are clear policies and effective processes for reviewing and improving value for money. Internal reviews are targeted at high cost services and have lead to improved value for money.	Innovative approaches for improving cost-effectiveness are used where appropriate and have achieved significant improvements in value for money.

Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
Targets are set and applied to improve efficiency and value for money.	There is clear evidence that the authority sets and achieves ambitious targets to improve efficiency and value for money corporately and in services. Targets are used 'intelligently' to reflect potential for improvement.	The authority has a sustained track record of driving improvements in services and value for money through effective use of targets.
The authority has produced and is delivering on a robust efficiency plan to achieve the Efficiency Review targets of 2.5 per cent gains per year over a three year period. This includes identification of efficiency savings through regional collaboration.	The authority has produced and is delivering on a robust efficiency plan to achieve at least the Efficiency Review targets of 2.5 per cent gains per year over a three year period.	The authority has integrated efficiency review into its performance management and is exceeding its own targets for achieving at least the national Efficiency Review target of 2.5 per cent per year over three years.
Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality and support the arrangements set out in the national procurement strategy.	Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing additional health or environmental benefits including benefits achieved using FiReBuy Ltd as a procurement tool.	Significant community benefits have been delivered through joint analysis of local needs, planning and procurement with key partners. This includes the demonstration of significant benefits through the authority's support of the national procurement strategy and FiRebuy Ltd.
The authority through its Regional Management Board has drawn up a regional strategy for HR and has reviewed its use of resources ensuring value for money in the delivery of training.	The authority through its Regional Management Board has drawn up regional strategies which identify and implement the most efficient and effective means for the region to deliver the services laid out in the National Framework.	The authority through its Regional Management Board has drawn up regional strategies which are delivering value for money and improvements in relevant services.

Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
Internal reviews are carried out (in line with Best Value legislation) and achieve significant improvements in value.	Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality (or quality increased at no extra cost).	Systematic review and option appraisal has covered all major functions and the findings are acted upon, leading to significant improvements in services and value for money.
Investment is made in under-performing services to secure future improvements in value for money.	Investment is targeted at improving value for money in the longer term. Past investment has resulted in demonstrable improvements in value for money.	Significant areas of previous under-performance have been addressed and, where there has been investment, sustained improvements in value for money have been delivered.
External funding is sought where appropriate to support local priorities and capacity building bids have been effectively pursued where appropriate to its improvement plan.	External funding is sought strategically to support local priorities and the authority has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people. Where appropriate capacity building bids have been accepted.	External funding has been successfully used to address local priorities resulting in sustained improvements and greater long-term value for money.