

**HEREFORDSHIRE COUNCIL**  
**USE OF RESOURCES IMPROVEMENT PLAN**

**APPENDIX 1**

**Financial Reporting**

**2005 Score 3 out of 4**

	<b>Improvements required to 2005 baseline self-assessment</b>	<b>Lead Officer</b>	<b>Progress</b>
(a)	Agree with the external auditors what is needed to meet the 'exemplary working papers' criteria.	David Keetch	<p>David Keetch discussed the issue of exemplary working papers with the new audit manager. He indicated that improved performance in the areas indicated for the Financial Reporting KLOE would facilitate an improved score of 4. The audit manager indicated that the most important area for us to concentrate on was improved challenge / analytical review.</p> <p>The audit manager acknowledged that working papers had further improved in a meeting with Director of Resources on 18<sup>th</sup> July 2006 and that there had been better analytical review in most areas on the balance sheet. Audit manager again promised a note setting out requirements to achieve exemplary standard for working papers.</p> <p>Feedback from Glyn Morgan to David Keetch also indicated that the 2005/06 audit of the draft Statement of Accounts had been even smoother on the baseline position for 2005, which was assessed as 3 out of 4.</p> <p>Herefordshire Council finance staff dealt with all external audit queries promptly.</p>
(b)	Agree consultation process for establishing the needs of stakeholders in respect of the publication of a summary of the annual accounts.	David Keetch	<p>The Council will be publishing its first summary statement of accounts leaflet by 22<sup>nd</sup> September 2006. The document has been produced in collaboration with colleagues in the Communications and Policy &amp; Performance teams. It includes an annual review of Council activities as well as an overview (subject to audit opinion) of the Statement of Accounts for 2005/06.</p> <p>The document is eye-catching and user friendly and will be widely circulated via public offices / buildings in Herefordshire. It will also be copied to key strategic partners. We also plan to make it available on the Council's website. The leaflet draws on award winning documents produced by other councils. Readers are however invited to comment on the content and format so we can improve next year's summary leaflet. The document will also form part of the agenda for Community Forum meetings in October 2006.</p>

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(c)	Publication of Summary of Accounts that are intelligible and accessible to members of the public.	David Keetch	See (b) above.
(d)	Providing more challenge/analytical review to help prevent “non-trivial errors”.	David Keetch	<p>As part of the planning work for financial year end, service accountants were briefed in detail on the requirement for challenging analytical reviews particularly in relation to debtors, creditors and bank reconciliation entries. This message was continually reinforced during the closedown process.</p> <p>The external auditor’s initial review of the draft Statement of Accounts for 2005/06 Accounts highlighted some potential errors largely between categories of assets (e.g. intangible and tangible assets, short-term and long-term borrowing). We await discussion on the auditor’s view on how trivial he considers these errors to be. The Resources Directorate intends to provide training for budget holders to improve their financial skills, including budgeting.</p>

**Financial Management**

**2005 Score 3 out of 4**

	<b>Improvements required to 2005 baseline self-assessment</b>	<b>Lead Officer</b>	<b>Progress</b>
(a)	Approving a comprehensive medium term financial plan or strategy document.	Director of Resources	The Director of Resources presented a draft Medium Term Financial Management Strategy to Cabinet for approval on 13 <sup>th</sup> July 2006 as a basis for consultation within the Council and with strategic partners prior to the approval of the final document on 19 <sup>th</sup> October 2006. The service planning / budget planning timetable for the three year period covering 2007/08 to 2009/10 leading up to Council Tax setting in March 2007 are fully integrated this year.
(b)	Develop clear linkages between the medium term financial strategy and other internal strategies e.g. accommodation, pay and workforce, corporate ICT, performance management.	Director of Resources	<p>The draft Medium Term Financial Management Strategy demonstrates the appropriate links with key corporate strategies including the Community Strategy, the Corporate Plan, Hereford Connects, The Big Move, Treasury Management, Capital Strategy and significant capital projects such as Rotherwas Futures and Edgar Street Grid.</p> <p>Routine financial monitoring reports form part of the bi-monthly Integrated Performance Report to Cabinet and have been developed to include commentary on service performance relative to financial</p>

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	<b>Improvements required to 2005 baseline self-assessment</b>	<b>Lead Officer</b>	<b>Progress</b>
			performance.
(c)	Prepare and gain approval by CMB of a formal scheme of budget delegation below Director Level.	David Keetch	CMB agreed a principles paper in March 2006 and appropriate changes to the Council's Constitution have been made.
(d)	Strengthen arrangements for involving budget holders in the budget setting process.	David Keetch	Financial management training for budget holders at all levels has been arranged for September / October 2006. The aim is to improve their financial management skills, including budgeting.
(e)	Develop and demonstrate clear links between the Council's various planning levels including service plans and the budget setting process.	David Keetch	The Council has devised a new approach to service planning this year that is fully integrated with the budget cycle.
(f)	Evidence that both the Medium Term Financial Plan and the annual budgets are subject to risk assessment and sensitivity analysis.	Director of Resources	The draft Medium-Term Financial Management Strategy includes a corporate financial risk assessment and is cross-referenced to the financial risk assessment included in the budget papers considered by Council in March 2006 as a basis for setting the Council Tax for 2006/07.
(g)	Ensure that relevant non-financial and financial information is reported to and used by Budget Holders.	David Keetch	Service performance information was included in the 2006/7 month 4 Integrated Performance Report.
(h)	Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans.	Andrew Tanner	A statement on progress is now included for each Directorate in the regular Integrated Performance reports.

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(i)	Implementing a comprehensive training programme.	Andrew Tanner	AT has co-ordinated a structured training plan with three levels. The first session for each level will take place in September / October 2006. In addition Financial Services will be running a Cedar training programme and a survey/questionnaire is in draft form for comment.
(j)	Approval of and action a qualified plan for the reduction of back log property maintenance.	Colin Birks	<p>The draft Medium-Term Financial Management Strategy sets out the need to develop a corporately funded buildings maintenance programme that will be allocated in line with maintenance needs / service priorities.</p> <p>There have been meetings between the Cabinet Member (Resources), the Director of Resources and the Property Services Manager on the comprehensive report prepared on the back log issue. An action plan with nine key issues for reducing the back log is in place.</p>
(k)	Identification of the extent to which whole life costing and option appraisal are applied.	Colin Birks	Option appraisal and whole life costing are included as fundamental elements in the bidding process for Prudential borrowing funding. Bidders are required to consider different options and put forward the best option, fully costed in terms of both revenue and capital funding over the life of the asset created. The repayment of prudential borrowing debt is over a period no longer than the life of the asset created.

### Financial Standing

**2005 Score 2 out of 4**

	Improvements required	Lead Officer	Actions
(a)	Take action to correct the base budget	Director of Resources	The Director of Resources took steps to balance the budget as part of 2006/07 budget cycle. The draft Medium-Term Financial Management Strategy approved in July 2006 identifies further action to ensure services are appropriately funded.
(b)	Constantly maintain spending within overall budget without significant unexpected overspends or underspends.	Director of Resources	<p>The Corporate Management Board has agreed that budgets must be managed to come in at or below the approved budget for the year. This is a non-negotiable for CMB, SMT and key managers.</p> <p>Contingency funding has been established for the key financial risk in social care.</p> <p>Service accountants have assisted in developing budget management plans for each Directorate setting out how budget pressures will be managed.</p>
(c)	Demonstrate that target levels for reserves and balances are based on a thorough understanding of needs and	Director of Resources	Paragraphs 7.3.2 and 7.3.3 etc. of the draft Financial Management Strategy set out the proposed approach to earmarked and general reserves.

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	risks, including the Treasury Management Strategy and that these targets are met.		
(d)	Demonstrate that monitoring information is available that evaluates the effectiveness of recovery actions, associated costs and the costs of not recovering debt	Mike Toney	Mike Toney has produced an updated response document.

Internal Control

2005 Score 2 out of 4

	Improvements required	Lead Officer	Actions
(a)	Revise Cabinet's terms of reference to include responsibility for risk management	David Keetch	Agreed with Legal Services that this amendment will be made in the next Constitution Review. Amendment approved by Cabinet.
(b)	Develop partnership risk management arrangements	Tony Ford	A partnership risk checklist was in place by the end of August. CMB will be asked to approve recommendation that Heads of Service review existing and potential partnerships in line with the checklist.
(c)	Provide risk management training for officers and members	Andrew Tanner	Members risk management seminar has taken place. All members were invited to the training session. There was positive feedback from the attendees.  Survey sent to managers on risk management to assess training needs. Appropriate risk management training is planned for September / October 2006.
(d)	Further develop and demonstrate the quarterly risk management reporting	Andrew Tanner	Directorates advised that DMTs should review their risk registers at least quarterly.  Risk logs now prepared and attached to all major projects e.g. Herefordshire Connects, Accommodation Strategy.

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	<b>Improvements required</b>	<b>Lead Officer</b>	<b>Actions</b>
(e)	Develop the assurance framework, in particular mapping strategic objectives to risks, controls and assurances	Tony Ford	On 20 <sup>th</sup> February 2006 the Audit Committee approved the Statement on Internal Control Assurance Framework, which mapped objectives, risks, controls and assurances. The Audit Committee considered an update report on 7 <sup>th</sup> April 2006. As part of the final report for 2005/6 The Principal Audit Manager completed the CIPFA Assurance Checklist. The Council's procedures and protocols compared favourably with the Checklist
(f)	Develop the role of the Audit Committee to provide effective leadership on audit and governance issues	Tony Ford	Report to Audit Committee on 20 <sup>th</sup> February 2006 refers. The name of the Audit Committee has changed to the Audit and Corporate Governance Committee. The Constitution of the Committee has been changed and is now inline with CIPFA guidance.  Continuing ongoing progress has been made e.g. see Audit Committee reports. Training for Audit Committee has been provided – e.g. on money laundering and questioning the statement of accounts.
(g)	Demonstrate how business critical systems are identified and procedure notes/manuals reviewed and updated annually.	Tony Ford	Liaison with Audit Commission has taken place and the critical systems identified and agreed. These systems form part of the 2006/07 Audit Plan report to Audit Committee on 7 <sup>th</sup> April. All critical systems have annual reviews carried out by Audit Services, with procedures updated and flowcharted.
(h)	Ensure that Standing Orders and Financial Regulations are reviewed annually.	Andrew Tanner	See report to Audit Committee on 7 <sup>th</sup> April 2006.
(i)	Demonstrate how compliance with the standing orders, standing financial instructions and the scheme of delegation is monitored, breaches identified and action	Tony Ford	Links to the Council's Standing Orders and Financial Regulations and Scheme of Delegation have been evidenced by audit work as set out in the Audit Plan report presented to the Audit Committee on 7th April 2006.

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	taken		
(j)	Ensure Statement of Internal Control is a separate process throughout the year process.	Tony Ford	<p>See Statement on Internal Control report to Audit Committee on 20<sup>th</sup> February 06. A progress report was presented to Audit Committee on 7<sup>th</sup> April. A further report went to the Audit Committee on 30<sup>th</sup> June and another update to the Audit &amp; Corporate Governance Committee is planned in September 2006.</p> <p>Recommendations from the 2005/06 Statement on Internal Control already implemented e.g. written assurance statements to be obtained from managers on a quarterly basis.</p>