

**Report to: Policy and Review (Performance) Panel**  
**For: 22 March 2007**

**Report by: Head of Financial Services**

Report written by: Valerie Lane

**Progress on Use of Resources Process Project – Financial Services**  
**Best Value Action Plan and DA Management Letter Action Plan**

**1. Purpose of Report**

- 1.1 The report updates Members on progress made to date on the Action Plans drawn up as a result of the Financial Services Best Value Review and the District Audit Annual Audit and Inspection Letter 2004/05.

**2. Recommendations**

- 2.1 It is recommended that the report be noted.

**3. Background**

- 3.1 In October 2006, the Policy and Review (Performance) Panel received a report outlining progress made on the Financial Services Best Value Review Action Plan and the Action Plan arising from the District Audit Annual Audit and Inspection Letter.
- 3.2 Both of these Action Plans have been incorporated within the Use of Resources Process Project which is part of the overall “Improving Our CPA Score Programme” (Reported elsewhere on the agenda). Progress on the Use of Resources Process Project is being monitored by a Board comprising officers and the four Group Leaders and chaired by the Strategic Director for Corporate Resources and Services.

**4. Progress to Date**

- 4.1 This progress report concentrates on those tasks in the Use of Resources Process Project which were programmed to be undertaken between February 2006 and the end of 2006/07 and which relate specifically to the Action Plans drawn up as a result of the Financial Services Best Value Review and the District Auditor’s Annual Audit and Inspection Letter.

- 4.2 A series of work packages have been issued to Lead Officers. Each work package may contain a number of tasks to be undertaken and each task is deliverable within a particular timescale.
- 4.3 In December 2006, the Use of Resources Process Project Board agreed to concentrate resources on those high priority tasks that it was considered essential to complete if the score for the Use of Resources element was to be improved from 2 to 3 for 2006/07.
- 4.4 The attached Appendices set out the progress achieved on all the tasks included in the Financial Services Best Value Review Action Plan and the DA Management Letter Action Plan, not just the high priority tasks.
- 4.5 Those items shown as green (Appendix 1) are either progressing in accordance with the timetable and without any problems or have already been completed.
- 4.6 Those actions shown as Amber (Appendix 2) reflect tasks where that has been some slippage against the timetable or where there are some minor problems preventing progress. Details of issues have been included in the Appendix.
- 4.7 Appendix 3 shows the two tasks still shown as red. It is now too late for the 2006/07 budget book to be published but arrangements are in place for the 2007/08 budget book to be published at the end of March 2007. Alternative ways of achieving the outcome required for task 28 are being worked on with the South Coast Unitaries Audit Group. The Audit Manager was invited to speak to the CIPFA Audit Panel and there is still a possibility that they will participate in this work.

## **5. Conclusion**

- 5.1 A great deal of progress has been achieved since the last detailed progress report to the Policy and Review (Performance) Panel in October 2006.
- 5.2 Whilst most of the actions arising from the Financial Services Best Value Review and DA Management Letter Action Plans are on track to be completed as planned, the need to divert resources to the high priority tasks in the Use of Resources Process Project has had an impact on progress.
- 5.3 Work on these Action Plans will continue as resources allow.

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Valerie Lane  
Head of Financial Services

**Background List of documents –**  
*Section 100D of the Local Government Act 1972*

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

<i>Title of document</i>	<i>Location</i>
Use of Resources Process Project Reports	Office of Head of Financial Services

The recommendation(s) set out above were  
approved/ approved as amended/ deferred/ rejected  
by the Policy and Review (Performance) Panel on 22 March 2007

Signed: -----

Portsmouth City Council

**USE OF RESOURCES - PROCESS PROJECT**

**Work Packages on Target (Green)**

		TOPIC	Responsible Officer	Notes	Status	Financial Services BV Review	DA Management Letter
		<b>FINANCIAL REPORTING</b>					
1	1.1	Timetable one month earlier for 2005/06 accounts	Mike Lloyd	Complete	Green	✓	✓
	1.2	Training Sessions for Accountancy staff	Mike Lloyd		Green	✓	✓
	1.3	Introduce CPD or update training for Finance staff	Mike Lloyd		Green	✓	
	1.4	Specific training in capital accounting	Mike Lloyd	Complete	Green	✓	✓
	1.5	Adjustment A Reconciliation	Mike Lloyd	Complete	Green		✓
	1.6	Improved reconciliation of statements	Mike Lloyd	Complete	Green		✓
	1.7	Closedown Guidance to be issued to all staff	Mike Lloyd	Complete	Green	✓	
2	2.2	Improve Outturn Report to provide more explanation and interpretation of the accounts	Chris Ward	Complete	Green	✓	✓
	2.6	Regular meetings of DFMs	Chris Ward	Complete	Green	✓	✓
3	3.1	Financial training for operational managers	Sue Page		Green	✓	✓
		<b>FINANCIAL MANAGEMENT</b>					
6	6.1	Budget Guidelines and Timetable to be published	Chris Ward	Complete	Green	✓	
	6.3	Cash Limits to be published	Chris Ward		Green	✓	
	6.5	Review payments process to ensure compliance with standards of prompt payment legislation	Chris Ward		Green	✓	
	6.6	Reduce following year's Cash Limit if overspending occurs	Chris Ward	Complete	Green	✓	
7	7.1	Grant processes to be reviewed and cascaded to relevant staff	Sue Page & all DFMs		Green	✓	✓
	7.2	Budget Monitoring report to each Portfolio briefing together with Action Plan if required	Sue Page & all DFMs		Green	✓	
	8.2	Review Corporate Priorities in conjunction with Members	Valerie Lane	Complete	Green		✓
8	8.4	MTRS to cover 3 years minimum	Valerie Lane	Complete	Green		✓
11	11.1	Life-cycle costing and prudential indicators to be included in financial appraisals for capital schemes	Peter Pennekett & all DFMs		Green	✓	
12	12.1	Budgets to be uploaded into system in April 2006	Wayne Layton & all DFMs		Green	✓	

**APPENDIX 1**

		<b>TOPIC</b>	<b>Responsible Officer</b>	<b>Notes</b>	<b>Status</b>	<b>Financial Services BV Review</b>	<b>DA Management Letter</b>
21	21.1	Integrate the business planning and financial planning process	Paddy May		Green		✓
		<b>FINANCIAL STANDING</b>					
23	23.1	Produce accurate and meaningful profiled financial monitoring reports for all budget holders within ten working days of the month end	Beverley Pennekett & DFMs		Green	✓	
24	24.2	Clearly define roles of Finance Teams in Service Specification	Chris Ward		Green	✓	
	24.5	Regular budget monitoring to identify potential areas of overspending	Chris Ward		Green	✓	
	24.7	Continue initiatives to improve debt collection arrangements and reduce level so arrears	Chris Ward		Green	✓	✓
25	25.1	Draw up definition of Partnerships and cascade to staff	Paddy May		Green	✓	
		<b>INTERNAL CONTROL</b>					
29	29.1	Risk Management Strategy to be approved by Members	Dominic Kirby		Green		✓
	29.3	Corporate Risk Register to be completed and linked to strategic objectives	Dominic Kirby		Green	✓	✓
	29.8	Regular reports to be taken to the Member committee with responsibility for risk management and appropriate action to be taken to ensure that corporate business risks are being actively managed, including reporting to full Council as appropriate.	Dominic Kirby		Green	✓	✓
34	34.1	Provision of ethics training for Members	Jan Paterson		Green		✓
	34.2	Provide Members with training in standards of conduct	Jan Paterson		Green		✓
37	37.1	Statement of Internal Control to be considered by an appropriate Member Group as a separate exercise from Accounts	Lyn Graham	Complete	Green		✓
	37.2	Annual review to be undertaken to assess the effectiveness of the Statement of Internal Control	Lyn Graham	Complete	Green		✓
	37.4	Review of Financial Regulations and Financial delegations to be undertaken	Lyn Graham		Green	✓	✓
38	38.1	Provision in Audit Plan for Unplanned Work and Special Investigations	Lyn Graham		Green	✓	✓
	38.2	Follow up all recommendations from Special Investigations	Lyn Graham		Green		✓
39	39.1	Monitoring Officer to be appointed	Marion Headicar	Complete	Green		✓

Portsmouth City Council

**USE OF RESOURCES - PROCESS PROJECT**

**Work Packages Behind Target/With Minor Issues (Amber)**

		TOPIC	Responsible Officer	Status	Comments	Services BV Review	DA Management Letter
		<b>FINANCIAL REPORTING</b>					
2	2.4	Recruitment for vacant accountancy posts	Chris Ward	Amber	Further advertising campaign for 3 Senior Accountants undertaken. Interviews week commencing 5 March 2007. Recruitment and retention payments have been offered to attract suitable candidates. Income and Payments Manager post and replacement for Corporate Finance Manager to be advertised shortly (these were delayed due to work on the Budget)	✓	
4	4.1	Training for Members in financial matters to improve their financial understanding	Valerie Lane	Amber	This training is being linked in with the overall training plan being developed for Members (see Work Package 34). Training sessions are being prepared.	✓	✓
		<b>FINANCIAL MANAGEMENT</b>					
6	6.4	Monthly budget monitoring with the Leader to incorporate non-financial data	Chris Ward	Amber <b>Financial</b>	Directorate Finance Managers are working with Strategy Unit to bring together performance data from Corporate Scorecard and financial information	✓	
8	8.3	Review of MTRS processes	Valerie Lane	Amber	Report will be considered by Executive and City Council in March 2007		✓
9	9.1	Develop approaches to ensure services are constantly providing value for money	Martin Evans	Amber	Work was delayed by late delivery of VFM profiles by Audit Commission nationally.		✓
12	12.2	Budgets to be profiled	Wayne Layton & all DFMs	Amber	All users who load budgets are trained to profile them. Work package shown as Amber because of the size of the exercise - lower levels not all profiled yet	✓	
	12.3	Budgets to be delegated to Operational Manager	Wayne Layton & all DFMs	Amber	New procedure in place to ensure that when a new cost centre is set up, an operational manager is identified. Exercise to check existing codes underway	✓	

**APPENDIX 2**

		<b>TOPIC</b>	<b>Responsible Officer</b>	<b>Status</b>	<b>Comments</b>	<b>Services BV Review</b>	<b>DA Management Letter</b>
		<b>FINANCIAL STANDING</b>					
<b>24</b>	24.6	Credit Management Policy and Strategy to be approved in 2006	Chris Ward	Amber	Policy will be considered by Executive and City Council in March 2007. Strategy is in draft and will be completed by June 2007	✓	✓
	24.8	Target setting and monitoring process to be established for all significant types of income	Chris Ward	Amber	This links with the Credit Management Strategy but recovery of debt is being closely monitored in any event	✓	✓
<b>25</b>	25.2	Enforce agreements with partnerships covering all arrangements including funding, aims, success criteria etc.	Paddy May	Amber	There are few partnership agreements in place for strategic alliances eg LSP, partnerships required by Law eg Safer Portsmouth Partnership, and Not-for Profit organisations. Work will concentrate on the most significant partnerships.	✓	
		<b>INTERNAL CONTROL</b>					
<b>29</b>	29.2	Risk Management Strategy/Policy needs to be embedded in Business Planning/Financial Planning process	Dominic Kirby	Amber	This work is ongoing and links with Work Package nos 8 and 21		✓
	29.5	Agree strategic business critical risks and introduce appropriate risk reduction measures and monitoring procedures	Dominic Kirby	<b>Financial</b> Amber	A significant amount of work is taking place in this area. A presentation has been given to each of the Directorate DMTs and a commitment to attend a training session aimed at developing business continuity plans has been given.	✓	✓
	29.9	Identify and map all business critical system procedures notes and key internal control procedures and ensure they are kept up to date.	Dominic Kirby	Amber	Work is now ongoing in the Directorates led by the representatives that sit on the Business Continuity Working Group	✓	
<b>30</b>	30.2	Review business critical system procedures notes and ensure they are regularly updated	Dominic Kirby	Amber	Links to 29.9	✓	
<b>35</b>	35.1	Risk assessment to be included in all decision making processes	Peter Pennekett and all DFMs	Amber	The majority of appraisals now incorporate a risk assessment	✓	
<b>37</b>	37.8	Proactive fraud work based on an assessment of risk to be undertaken	Lyn Graham	Amber	This work was deferred because of a shortage of Audit resources. Now that the new senior staff are in post, the work is progressing	✓	
<b>38</b>	38.5	Recruit to vacant Internal Audit posts	Lyn Graham	Amber	There is currently one part-time post vacant and this will continue to be hel vacant pending a review of the impact of the implementation of the Teammate software	✓	✓

	<b>TOPIC</b>	<b>Responsible Officer</b>	<b>Status</b>	<b>Comments</b>	<b>Services BV Review</b>	<b>DA Management Letter</b>
38.6	Review resourcing of Internal Audit and scope of work	Lyn Graham	Amber	Work on the Audit Plan for 2007/08 is being undertaken taking account of the new staff	✓	✓
38.7	Ensure annual compliance with National Fraud Initiative (NFI) requirements	Lyn Graham	Amber	A report on latest guidance has been sent to Roger Ching - this outlines additional information required		✓

**Financial**



Portsmouth City Council

**USE OF RESOURCES - PROCESS PROJECT**

**Work Packages with Issues to be Discussed (Red)**

	TOPIC	Responsible Officer	Status	Comments	Financial Services BV Review	DA Management Letter
	<b>FINANCIAL MANAGEMENT</b>					
6	6.2 Budget Book to be published by early May 2006	Chris Ward	Red	Budget Book for 2007/08 will be published by 1 April 2007	✓	
	<b>INTERNAL CONTROL</b>					
38	38.3 Work on Best Practice on Internal Audit Risk Assessment to be undertaken in conjunction with Portsmouth University and District Audit	Lyn Graham	Red	Issue is currently being discussed by the South Coast Unitaries Audit Group. The topic has also been considered by the CIPFA Audit Panel ; PCC's Audit Manager was invited to attend the meeting to give her views. Alternative ways of achieving the objective of this task are also being considered.	✓	✓