

WELLAND INTERNAL AUDIT CONSORTIUM

Harborough District Council



Date: 19 December 2011

REF: H/MTFS2012

MEDIUM TERM FINANCIAL PLANNING

EXECUTIVE SUMMARY

Context

The purpose of this report is to provide management with assurance that the Medium Term Financial Planning procedures are adequate to deliver a satisfactory level of forecasting.

The Medium Term Financial Strategy (MTFS) is a central element of the Council's strategic planning and control framework, setting the resource parameters within which the Council makes decisions on levels of expenditure and hence levels of service that are supportable. If the MTFS proves to be insufficiently robust, then decisions made about the future shape and direction of the Council may be compromised.

Overview

Overall, the processes relating to the preparation and reporting of the Medium Term Financial Planning for the Council are appropriate to mitigate the key risks identified. The MTFS documentation is reported in detail annually and is supported by quarterly budget monitoring. Relevant reference to affordability of capital expenditure and asset management is incorporated, and the key assumptions are recorded. Members are presented with impact assessment for various options in relation to Council Tax setting, and the S151 Officer has a prudent approach to keeping appropriate levels of reserves in order to maintain the financial viability of the Council over the medium term.

One area for improvement was identified. It is important that Members have the appropriate knowledge and skills to understand and critique the financial information presented to them. Appropriate financial management training was made available to Members in October 2011; however, only around a quarter of Members involved directly in the resources and governance arrangements of the Council attended the training.

This issue is addressed through the recommendation in the report. As a result of these findings, the overall assurance rating is given below.

As only one risk has been identified and one recommendations made, the assurance rating following this audit is

Good

Range 75+

Assessed Score 80

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Scope

The audit included an examination of the key controls to give assurance that:

- the MTFS process provides for the timely and complete identification of changes impacting on the Council's income;
- the MTFS provides for accurate projections of the impact of spending;
- investment and dis-investment decisions; and regular reporting to those charged with governance of the steps required to ensure that current and projected future balances satisfy prudential requirements.

The recommendations are listed on the action plan, followed by the detailed report.

Acknowledgements

The help and co-operation of the Deputy Chief Executive was much appreciated by the Auditor.

Rosanne Fleming
Internal Auditor

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ACTION PLAN

RECOMMENDATION	Section number	Priority	Officer Responsible	Agreed Action and completion date
The Deputy Chief Executive should consider running the financial management training session again at a time suitable for all Members on Scrutiny Panel - Resources Development and Governance & Audit Committee. Members should consider whether this training should be classified as mandatory to ensure that Members responsible for governance and finance are properly equipped to understand financial information and make appropriate financial decisions.	03.01.01	2 - Medium	Deputy Chief Executive	Following discussion with the Head of Legal Services (Monitoring Officer), who is the lead officer for the Democratic work stream on the Transformation Programme, the Deputy Chief Executive agreed to provide a further training session for Members when the new training programme has been defined. 31/03/2012

NOTES:

Action Plan Grade Classification:	H-High, M-Medium, L-Low	Order of Priority of Implementation. Please note that it will normally be expected that all recommendations will be implemented within 6 months.
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The range of Assurance ratings is as follows:

Audit Opinion:	Explanation:
GOOD	Minor risks have been identified.
SOUND	Some risks have been identified and some recommendations made.
MARGINAL	A number of risks have been identified and changes should be made.
UNSATISFACTORY*	Unacceptable risks have been identified and changes must be made.
UNSOUND*	Major risks exist and fundamental improvements are required.

A rating of "Unsatisfactory" or "Unsound" requires immediate management attention and arrangements will be made for a further review to be carried out at a later (agreed) date.