

Audit Commission

Presentation



Eurorai workshop

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Value for Money & Performance Information

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The Audit Commission's responsibilities on VfM

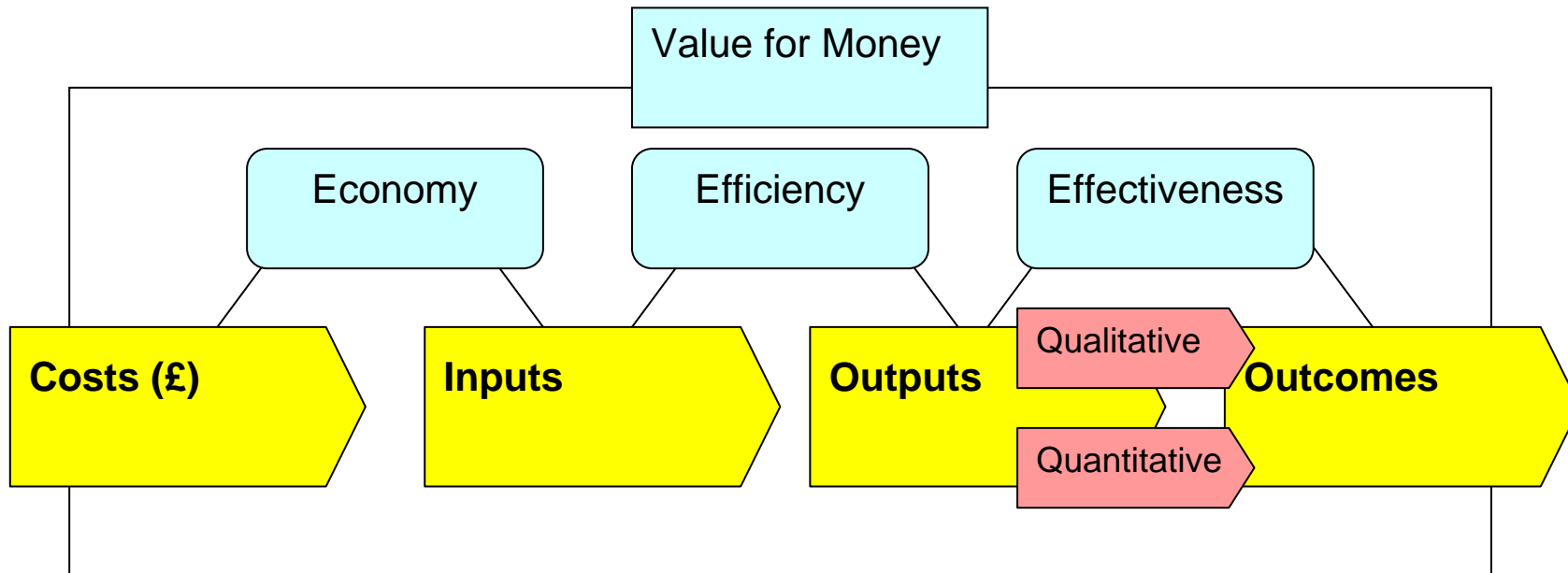
- Code of Audit Practice 2005: requirement placed on auditor to include a positive conclusion on arrangements for securing economy, efficiency and effectiveness in use of resources (VfM conclusion)
- Applies to both health and local authority audits
- Relevant criteria set by the Audit Commission which also contribute to wider assessments (Auditors' Local Evaluation on health and Comprehensive Performance Assessment on local authorities)

Value for money - 3Es(definition)

- Economy, the price paid for the inputs
- Efficiency, what you get out, given what you've put in
- Effectiveness, the impact you've achieved
- Good VFM, low input costs and a high number of successful outcomes (the optimum balance of the 3Es).

VFM - definition

From community wide perspective



VfM – Risk assessment

- Auditors consider and assess the relevant business risks
- Business risks = significant operational and financial risks to the achievement of the audited body's statutory functions and objectives
- Auditor's assessment is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects
- Auditor's assessment is discussed with the audited body
- Auditor determines work required to give a safe conclusion on VfM

Assessment of VfM

- Key Lines of Enquiry (KLOEs) are used to assist in assessment of VfM
- Sets out what assurances would be expected at various levels of performance
- 12 criteria are assessed to arrive at yes or no conclusion
- Risk based detailed work to support this
- Outcome is positive, 'adverse' or 'except for'

VfM - Examples of Work

- Late identification of a large overspend on an IT project (£10m against a budget of £9m); review of project and financial management of this project was done which identified weaknesses in arrangements
- High cost of placements in mental health establishments; review identified scope for reducing costs by better assessment of client needs
- Asset disposals not being shown correctly in the accounts; review identified scope for improvement in procedures for disposals

VfM – Risk assessment (contd)

- Auditors also assess the audited body's own assessment of the risks and the arrangements in place
- In that assessment, auditors will have regard to:
 - Evidence gained from previous audit work
 - Results of assessments from other review bodies
 - Comparative information e.g. performance indicators, profile information

Performance Information (PI)

- Audited bodies (ABs) compile performance information for a variety of purposes; in a local authority, for example, there are specified performance indicators which must be published
- ABs use this information to identify areas for improvement in performance; some ABs use both PI and financial indicators (FIs) to identify high cost and low performance
- Some ABs report both PI and FIs to the Board/relevant Council committee which use a traffic light system to identify good and bad

PI (contd)

- Auditors will also review PI and FIs to identify areas for further work
- Auditors will assess arrangements for compiling PI and test detailed information as necessary or as directed by the Audit Commission
- Audited PI is used in the Comprehensive Performance Assessment of local authorities each year
- Public reporting on performance annually

Use of specialist staff

- The Audit Commission has a number of staff qualified not only in accounts but in other specialisms e.g. project management, mental health commissioning
- Once a VfM review is identified as necessary, a member of staff with that specialism will be allocated to carry out the review
- In a number of areas it may be appropriate to use general audit staff e.g. audit of performance information

Links to the rest of the audit

- External audit is integrated i.e. work in relation to one element of the audit informs work in relation to other elements
- Examples of other elements where VfM used:
 - Comprehensive performance assessment (local authorities)
 - Auditors' local evaluation (health bodies)
 - Statements of internal control