

Annual Audit Letter

Tonbridge and Malling Borough Council

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 My 2008/09 audit is now complete. I issued an unqualified opinion on the Council's financial statements dated 16 September 2009. As in previous year's the Council's accounts were produced to a high standard, with only a small number of adjustments required and strong working paper trails to support the financial statements.

Value for money

- 2 I issued an unqualified value for money conclusion, stating that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Use of Resources assessment

- 3 In 2008/09 the Audit Commission introduced a revised UOR (Use of Resources), framework. Under this framework auditors make scored judgements in the areas of:
 - Managing Finances;
 - Governing the Business; and
 - Managing other Resources.
- 4 I concluded that the Council was performing well in each of the areas reviewed. Financial management is particularly strong and the Council has a good track record in delivering outcomes for the public that are also cost effective. However, like other public bodies the Council is likely to face significant challenges associated with the impact of the economic downturn. A continuing strong framework of financial and performance management will be essential if the Council is to meet these challenges.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Matters arising from the audit

- 5 The financial statements were approved by the General Purposes Committee on 29 June 2009 after previous consideration by the Audit Committee. Officers presented a comprehensive set of accounts and provided detailed explanations to members on key issues.
 - 6 I reported on the detailed matters arising from my audit to the General Purposes Committee on 7 September 2009. The Council's accounts were produced to a high standard, with only a small number of adjustments required and strong working paper trails to support the financial statements. I issued an unqualified opinion on the Council's accounts on 16 September 2009.
 - 7 I did not identify any significant weaknesses in the Council's internal control arrangements which might result in a material error in the financial statements, or any significant weaknesses in the qualitative aspects of the Council's financial reporting. I also concluded that the Council's annual governance statement complied with CIPFA requirements and was consistent with my knowledge of the Council.
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Other matters - Impact of the economic downturn

- 8 During my review of the accounts I noted the issues identified below.

Treasury Management

- 9 The Council has a deposit of £1m with Landsbanki, which was taken into the ownership of the Icelandic government in October 2008. In accordance with CIPFA guidance the Council recognised a potential loss (impairment) of £195,000 in respect of this deposit in its 2008/09 accounts.

Asset valuations

- 10 In preparing its accounts the Council also considered the impact of current market conditions on the valuation of its land and building assets. This review resulted in impairments (downward valuations) totalling £1,691,000.

- 11** I concluded that the impairments identified in respect of the Landsbanki deposit and the Council's fixed assets were fairly stated. However, these issues highlight the extent to which the economic downturn continues to have a significant impact on public finances. Going forward the downturn may also have a significant impact on the ability of public sector bodies to fund the delivery of services and capital programmes. The Council has a history of effective financial management and a strong balance sheet, and has acted quickly over the past year to identify and address the effects of the downturn. However, like other councils its capacity is likely to be stretched by the impact of the recession. A continuing strong framework of financial and performance management will be essential if the Council is to meet these challenges.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

12 In forming my scored use of resources judgements I have used the methodology set out in the [use of resources framework](#). Judgements for each key line of enquiry (KLOE) have been made using the Audit Commission's current four point scale which is as follows.

- 1 = Inadequate and below minimum standards.
- 2 = Performs adequately.
- 3 = Performs well.
- 4 = Performs excellently.

Further details of the assessment criteria are given at Appendix 1.

13 I have also taken into account, where appropriate, findings from previous use of resources assessments and other relevant audit work.

14 The Council's use of resources theme scores are shown in Table 1. The key findings and conclusions for each themes, and for the underlying KLOEs, are summarised at Appendix 2.

Table 1 **2008/09: Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

Value for money and use of resources

15 Overall I concluded that the Council has strong arrangements in place to manage its finances, govern the business and manage other resources. Financial management and financial planning are particularly strong and the Council has a good track record of identifying priorities and delivering strong outcomes that are also cost effective. Consultation processes are well-established and are used effectively to inform decision making. I concluded that the Council was performing well in each of the three areas assessed. Recent outcomes from the national 'Place survey' also indicate that the Council is performing well relative to other District Councils in Kent.

Other local risk based work

16 Health inequalities exist across significant areas of England, with some groups of the population suffering from significantly greater ill health and earlier death than others. Health and local government organisations across Kent have acknowledged the need to tackle this issue and have established partnership arrangements to deliver a number of key priorities and targets. Our review considered the effectiveness of these arrangements. The work focused primarily on the Health and Well Being sub groups of Local Strategic Partnerships (LSPs). The LSPs bring together organisations representing local government, health, businesses and voluntary groups.

17 As part of our work we asked these sub-groups to complete a self-assessment survey. The responses indicated that across Kent there are challenging aims to reduce health inequalities and that the reasons behind health inequalities are clearly understood. In general the respondents also felt that there was appropriate information to support decision-making and that this was acted upon. However, although most respondents felt that strategies were in place to address health inequalities, they were unclear whether these were producing effective outcomes.

18 The Tonbridge and Malling Healthy Living Study Group has recently been established. It assumed responsibilities from the former Healthy Living Officer Study Group, which had helped promote investment in community based health improvement projects over a number of years. At the time of our review the new group recognised that there was a need to further develop ties with local health organisations, and to clarify what resources were available for its work. However, in considering how to reduce health inequalities locally the three key barriers identified by the group were:

- changing people's behaviours;
- the timescale needed to see the effects of programmes; and
- potential confusion and duplication around roles.

An action plan has been developed with the Group to tackle these issues.

19 We have now completed presentations to all Health and Wellbeing sub groups across Kent. We have also summarised our overall findings in a presentation to the Kent Public Health Board.

VFM Conclusion

- 20** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission.
- 21** I issued an unqualified conclusion on 16 September 2009 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 22** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. A copy of the letter will also be provided to all Council members.
- 23** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.
- 24** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Andy Mack
District Auditor
December 2009

Appendix 1 – Use of resources assessment criteria

Level 2 Meets only minimum requirements – performs adequately	Level 3 Exceeds minimum requirements – performs well	Level 4 Significantly exceeds minimum requirements – performs excellently
<p>Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>Arrangements sufficient to address the KLOE demonstrating, for example: organisational leadership and commitment; partnership working; and appropriate capacity and skills informed by priorities with supporting action plans as appropriate.</p> <p>Arrangements that achieve minimum acceptable levels of performance.</p>	<p>Implemented effective arrangements that are:</p> <ul style="list-style-type: none"> • forward looking and proactive in identifying and developing opportunities for improvement; and • include more sophisticated measuring and assessment techniques. <p>Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working.</p> <p>Evidence of performing consistently above minimum acceptable levels and achieving value for money.</p>	<p>Demonstrating innovation or best practice.</p> <p>Demonstrating strong outcomes for the community including through partnership working.</p> <p>Evidence of performing well above minimum acceptable levels and achieving excellent value for money.</p>

Appendix 2 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

Theme score	3
Key findings and conclusions	
<p>The Council has a strong framework to support financial planning. Historically it has worked to a six year Medium Term Financial Strategy, a time period which provides a meaningful medium term perspective. However, as part of managing the long term implications of the economic downturn the Council has now moved to an 11 year MTFs, providing a structured framework to deliver savings and efficiencies over time. There are well-established mechanisms to ensure the integration of service and financial planning, including a budget prioritisation model which is used annually to target resources against priorities.</p> <p>The Council has a long history of delivering balanced budgets and its processes for financial monitoring are strong. The information provided to budget holders is appropriate and timely. Whilst operating within budget the Council has also demonstrated effective outcomes over a number of years. These include high levels of customer satisfaction, benchmarking data which shows consistently strong performance relative to other District Councils and efficiency savings in excess of Gershon targets.</p> <p>Processes for preparing the annual accounts are also strong. In 2008/09 the accounts were again prepared to a high standard with only a small number of errors and strong working paper trails.</p>	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • Strong framework for financial planning including 11 year Medium Term Financial Strategy. • Good integration of financial and service planning and effective prioritisation. • Strong track record of delivering savings and achieving balanced budgets. • Strong balance sheet which underpins future investment plans. • Resources are focused on priorities and this is translating into strong outcomes. <p>Issues to consider</p> <ul style="list-style-type: none"> • To what extent will the recession/ potential reductions in real levels of government funding impact on future improvement plans? 	
<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • The Council has a good understanding of its costs and has made effective use of benchmarking and partnership working. • Good use of whole life costing and innovative approaches to procurement. • Both costs and outcomes tend to compare favourably with Kent and national averages. <p>Issues to consider</p> <ul style="list-style-type: none"> • How to continue to deliver improved efficiency while maintaining/improving performance, particularly in the context of the economic downturn? 	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • Good track record of budget monitoring, good accounts scrutiny and strong accounts preparation; and • Effective reporting of both financial and environmental issues. 	

Governing the business

<p>Theme score</p>	<p>3</p>
<p>Key findings and conclusions</p> <p>The Council can demonstrate successful service redesign over a number of years, with recent examples including the e-benefits and Gateway projects. There is also evidence of service redesign through partnership working, although for some projects it is too early to demonstrate successful outcomes.</p> <p>The Council has strong arrangements to support data quality. There is a comprehensive framework of policies and procedures, with objectives and responsibilities clearly defined and appropriate guidance and training. There is also evidence over a number of years of initiatives to improve data quality and to make better use of data. The Council has achieved high response rates in key surveys, including the highest in the country for the recent 'Place' survey, increasing the usefulness and validity of the data.</p> <p>The Council's overall performance management framework is strong, with evidence of effective action to address areas of underperformance and a history of delivering efficiency savings. It has a clear vision and a robust strategic planning framework, and well-established mechanisms for engaging with stakeholders, including regular input from a large Resident's Panel. There is also evidence of effective and constructive working relationships between members and officers.</p> <p>The Council has a strong framework of internal control. It has appropriate arrangements to manage the risk of fraud and corruption and to ensure ethical conduct. Levels of reported fraud are low and the Council adopts a zero-tolerance approach.</p> <p>The Council has an established framework to manage risk. However, it recognises that this can be further developed. Recent changes include a new corporate risk register, a more sophisticated 'matrix' for assessing risks and more frequent reporting to the Audit Committee. These changes will strengthen the risk management framework but they are not yet fully embedded.</p>	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 2.1 (commissioning and procurement)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • Comprehensive procurement strategy which is led from the top and is driving improvements in service quality and vfm • Strong understanding of needs of local people and effective working with partners. • Good record on sustainability issues for example energy savings at leisure centres. • Good examples of partnership working resulting in improved outcomes for example health inequalities and sports facilities in schools. <p>Issues to consider</p> <ul style="list-style-type: none"> • How will the Council demonstrate the tangible benefits of the support it is offering the local economy during the recession? 	
<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • The Council has robust arrangements in place to produce relevant, reliable and accurate data. • Strong corporate focus on data quality issues, and evidence that this has led to initiatives to improve data quality and the use of data to deliver services (eg local surgeries introduced for clusters of benefit claimants identified from GIS data). • There is a strong culture of managing performance and driving continuous improvement in services. • Good track record of data security. <p>Issues to consider</p> <ul style="list-style-type: none"> • Spot check data audit has identified some potential errors in one indicator (to be discussed). • HB change of circumstances data unavailable for first three quarters due to systems problems. 	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> Established constitution with clearly defined roles and responsibilities. Strong arrangements for publicising the work of the standards committee and complaints procedures. Robust audit committee which promotes continuous improvement. Governance arrangements for partnership working are comprehensive and appropriate and make good use of local people to assess outcomes eg residents' panels. <p>Issues to consider</p> <ul style="list-style-type: none"> Are there any actions Members can take to demonstrate more visibly the values of good governance and help deal with national issues re lack of public trust? 	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> Sound risk management arrangements with clear links to performance management framework. Appropriate focus on management of risks relating to partnership working. Sound internal control arrangements. Zero tolerance approach to fraud. A strong corporate focus on the control framework for major systems and on probity issues. <p>Issues to consider</p> <ul style="list-style-type: none"> Action taken this year to strengthen arrangements includes the introduction of a more sophisticated 'risk matrix', a corporate risk register in addition to those for service departments and greater involvement for staff below manager level. It is too early to quantify the impact but these appear positive steps. 	

Managing resources

Theme score	3
Key findings and conclusions	
<p>The Council has a robust framework in place for workforce planning. It has a good track record in managing recruitment and skills gaps, with an established focus on succession planning. The performance appraisal system has clear links to corporate objectives and is well-established. Organisational change is also managed effectively and staff are actively involved. The most recent staff survey had high scores for overall staff satisfaction, the effectiveness of team working, management style and on key productivity measures such as customer feedback. Rates of sickness absence and employee turnover compare favourably with other local District Councils.</p>	
KLOE 3.3 (workforce planning)	
Score	3
VFM criterion met	Yes
<p>Strengths</p> <ul style="list-style-type: none"> • Robust approach to workforce planning with organisational culture that emphasises link between effective management of staff and strong performance. • Effective approach to staff development and performance management. • Good approach for equalities and diversity resulting in increased staff motivation. • Good consultation with staff on organisational change which has ensured that staff are actively involved in the change process and highly motivated to get things right. <p>Issues to consider</p> <ul style="list-style-type: none"> • Is there potential to develop the workforce plan, for example by identifying the number of staff likely to be required in the medium term, and linking this to an assessment of future demand for services? • Is there potential for more joint workforce planning with partners? 	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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