

Annual Audit Letter

Tonbridge and Malling Borough Council

Audit 2009/10

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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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- the audit of your financial statements (page 3); and
- my assessment of your arrangements to achieve value for money in your use of resources (pages 4 to 8).

Audit opinion and financial statements

1 I issued an audit report including an unqualified opinion on the financial statements on 15 September 2010.

2 The Council's financial statements were once again produced to a very high standard and were supported by very good working papers. There were no significant matters arising from the audit.

Value for money

3 I issued an unqualified value for money conclusion stating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ending 31 March 2010.

4 The Council has continued to perform strongly across all the areas which I reviewed, demonstrating excellent financial management, robust governance arrangements and good use of its resources.

Current and future challenges

5 The Council continues to have an effective financial management framework. Despite the impact of the recession the Council managed to make a contribution of £1,135,000 to general revenue reserves in 2009/10, strengthening its underlying financial position.

6 The economic downturn and the recent comprehensive spending review are imposing unprecedented financial pressures on the public sector. Like other local authorities the Council will need to review its existing plans and priorities to address these pressures. However, it has a strong medium term framework for financial planning, well established mechanisms for prioritising resources and a history of effective budgetary control. This underlying framework should ensure that future decisions are soundly based.

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.

I gave an unqualified opinion on the Council's 2009/10 financial statements on 15 September 2010.

Overall conclusion from the audit

7 The financial statements submitted for audit were complete and approved by the deadline of 30 June. The accounts were presented to a very high standard and supported by excellent working papers. I did not identify any significant matters arising from my audit.

International Financial Reporting (IFRS)

8 The Audit Commission carried out a national survey during 2010 to assess the Council's preparation for implementing IFRS with effect from 2010/11. This is a complex new area which will require significant input from staff, in finance and across the Council over the next year.

9 As part of this survey I have assessed the Council's performance as 'Green' (the highest ranking). The Council has a comprehensive implementation plan, has provided training for Members and officers and is undertaking necessary preparatory work, including on the more complex accounting areas such as leases. The Council has already produced a set of restated opening balances and is ahead of schedule for final production of the accounts in June 2011. This represents excellent progress overall. I will continue to work with Council over the coming months as it finalises its restated accounts

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

10 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

11 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

12 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

13 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

14 I concluded that the Council has adequate arrangements in all the areas I assessed. This is shown below:

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes

Managing finances

15 The Council has a strong framework for financial planning. As part of managing the long-term implications of the recession the Council has moved to a 10-year Medium Term Financial Strategy, providing a robust framework to deliver savings and efficiencies over time. There are also well-established mechanisms to integrate service and financial planning, including a budget-setting model which is used to target revenue resources against the Council's priorities. There is a culture of cost challenge and benchmarking is used to help redesign services and reduce costs.

16 The Council has an effective framework for budget monitoring. Its underlying financial position is strong, with general fund balances and general revenue reserves at 31 March 2010 totalling £7,534,000. This strong planning and financial management framework should ensure that future decisions are soundly based in the difficult financial environment now facing all local authorities.

Governing the Business

17 The Council continues to have a clear vision and a robust framework for strategic planning. Relations between officers and members are positive and have provided direction and energy in delivering the Council's priorities, despite the impact of the recession. The Council engages well with the public on the design of services.

18 The Council has effective arrangements for performance management, including a clear focus on producing, using and publicising performance

data. Comparative data indicates the performance of the Council's services is strong. There is also evidence of effective action to address areas of underperformance, and a history of delivering efficiency savings.

19 Governance arrangements are well-established. The Council has a strong system of internal control and appropriate arrangements to prevent and detect fraud. There is also an effective framework to manage risk.

Managing Resources

20 The Council is developing a structured approach to climate change. It has identified tackling the causes and effects of climate change as one of its eight corporate priorities and has published a climate change strategy, which identifies potential ways to reduce emissions and respond to the challenges of climate change. The Council is amending key strategies to ensure that they reflect climate change considerations. It uses project management arrangements which embody sustainability considerations. It has a member climate change champion and a Climate Change Officer Study Group to develop proposal and coordinate activity.

21 The Council is engaging with staff in a variety of ways. It uses the staff bulletin to raise climate change issues and to report on activities and campaigns, and has promoted initiatives such as cycling to work week. It also operates a car share database to reduce journey to work emissions. It provides training in some areas – for example sustainable procurement.

22 It is also working with partners and local communities. The Council's newspaper has regular articles on climate change and it encourages sustainable practices with community groups, parish councils, schools or businesses each year. It ran an Environmental Champions Award scheme in 2008. The Council is part of a Kent wide partnership to analyse the potential impacts of climate change through Local Climate Impact Profiles (LCLIP) and develop a community response.

Approach to local value for money work from 2010/11

23 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

24 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

25 For your audit, I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report

the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

Future challenges

26 The Council has worked hard throughout the year to manage its budget and to achieve planned savings. The economic downturn and the recent comprehensive spending review are however imposing unprecedented financial pressures on the public sector.

27 I recognise that even for a Council of your strong track record, the coming year will present a challenge. My audit team and I will work with you over the coming months, sharing good practice where appropriate and providing support as a "critical friend" where we can.

Closing remarks

28 I have discussed and agreed this letter with the Leader, the Chief Executive and the Director of Finance. This letter will be circulated to all Members and I will present it to the Audit Committee on 24 January 2011.

29 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Fee Letter	June 2009
Internal Audit Review	March 2010
Opinion Audit Plan	June 2010
Annual Governance Report	September 2010

30 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Andy Mack
District Auditor
November 2010

Appendix 1 – Audit fees

	Actual (£)	Proposed (£)	Variance (£)
Financial statements and annual governance statement	66,850	66,850	0
Value for money	27,650	27,650	0
Whole of Government Accounts	2,100	2,100	0
Total	96,600	96,600	0

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.