

Annual Audit Letter

Ashford 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 I issued an unqualified opinion on the financial statements on 30 September 2009.
 - 2 I am unable to formally conclude the audit and issue a certificate until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.
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Financial statements

- 3 I reported on the detailed matters arising from the audit to the Audit Committee on 28 September 2009. I found that the Council had worked hard to strengthen its accounts preparation and there was an improvement compared to previous years in the quality of the draft financial statements. However, there were still a number of presentational and disclosure errors in the draft statements. Tighter quality control arrangements are needed to help reduce these in future years.
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Value for money

- 4 I issued an unqualified value for money conclusion for the year ended 31 March 2009 on 30 September 2009.
 - 5 The Council has sound arrangements in place to manage its finances, govern the business and manage other resources. There is a clear link between medium term financial planning and service delivery and services are cost efficient. The Council has made good use of procurement to reduce costs and is working well in partnership with others, attracting significant inward investment to help regenerate the area. However, the financial position is tightly drawn. Balances and reserves are low and the Council has had to make significant in year efficiency savings to balance its budget. The efficiency programme has been well managed but it is impacting on the Council's ability to invest and deliver improvements in services. There is also a need to improve data quality. Future improvements will be dependent upon the successful delivery of the Council's partnership agenda as well as the strengthening of its performance monitoring and workforce planning.
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Actions

- 6 Our key recommendations, which are also set out within the body of this report, are as follows.
- Review and strengthen quality control arrangements for the production of the annual accounts.
 - Continue to monitor closely the financial position including the delivery of planned savings and take prompt action to deal with variations to plans.
 - Continue efforts to strengthen performance monitoring and workforce planning.

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.

Significant issues arising from the audit

- 7 The financial statements were approved by the Audit Committee and submitted for audit on the 23 June 2009.
- 8 Compared to previous years we found that the quality of accounts and working papers had improved and officers had worked hard to implement our recommendations. However we did still identify some errors in the draft statements which officers amended before the accounts were signed. Full details of the adjustments made during the audit, including a material amendment to the valuation of housing stock as a result of a post balance sheet valuation, were set out in the Annual Governance Report presented to the Audit Committee. The Committee re-approved the revised accounts on 28 September 2009.
- 9 The Council has made progress in terms of its financial reporting but further work is required in 2009/10 to ensure the highest standards of financial reporting are achieved. Senior management are taking action to strengthen capacity within finance including the recruitment of additional staff and this should help improve overall performance. There is also a need to strengthen quality control arrangements for the production of the draft statements, in particular by ensuring that local issues, such as known capital commitments, are considered as part of the review process.
- 10 We have made recommendations in previous years re the need to strengthen controls over the preparation and input of journals, including the provision of a stronger audit trail. Substantive testing did not identify any errors and we note progress is being made in this area.

Recommendations	
R1	Review and strengthen quality control arrangements for the production of the annual accounts.
R2	Strengthen the audit trail for the preparation and input of journals.

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

- 11 In forming my scored use of resources judgements, I have used the methodology set out in the Audit Commission's [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 12 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 13 The Council's use of resources theme scores are shown in Table 1 below. The detailed findings and conclusions for the three themes, and the underlying KLOE, are set out in Appendix 1.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	3
Managing resources	2
Overall	2

Value for money and use of resources

- 14 I have assessed the Council's overall performance as being at level '2', which means that sound arrangements are in place to manage its finances, govern the business and manage other resources. There is a clear link between medium term financial planning and service delivery. The council understands its costs and how they link to performance and services are cost efficient. Procurement arrangements are effective and have been used to generate savings across the Council. Partnership working, about which we say more below, has been used to attract significant inward investment to help regenerate the area.
- 15 However the Council's financial position is tightly drawn and this is impacting both on its current delivery and ability to deliver future improvements. The Council also needs to strengthen its data quality arrangements - which underpin effective performance monitoring - and to strengthen its workforce and capacity planning. Future outcomes will be dependent upon the successful delivery of the Council's medium term financial strategy, the delivery of planned savings including through shared services, and the development of performance monitoring and planning.

Recommendations

- R3** Continue to monitor closely the financial position including the delivery of planned savings and take prompt action to deal with variations to plans.
- R4** Continue efforts to strengthen performance monitoring and workforce planning.

Other local risk based work

- 16 We have now completed our 2008/09 Kent wide review of health inequalities. Presentations have been delivered to the Kent Public Health Board and local Health and Wellbeing Boards across Kent.
- 17 We found that the Ashford Health and Wellbeing Group has a good understanding of the challenges facing local people which contribute to health inequalities and is beginning to identify priorities for improvement. A number of targeted programmes are now underway, including campaigns to reduce smoking, and encourage healthier eating and safe sex. However further work is required to demonstrate the benefits that individual programmes will have across the wider community, as well as to confirm shared priorities going forwards.
- 18 Key priorities for the future will be to:
- develop mechanisms to plan and agree collective priorities; and
 - communication and engagement with communities and individuals.
- 19 An action plan has been developed with the board to tackle these areas.

- 20** During 2008/09 we also reviewed the Council's arrangements for working with a range of partners, to assess the effectiveness of governance arrangements and the scope for improvement. We reported on the results to Audit Committee in September 2009. We found that the Council had made good progress in establishing a partnership framework and partnerships are beginning to deliver significant benefits for local people. Key areas for improvement included the need to:
- widen the scope under which partnerships are recognised by the Council to include formal and informal arrangements in place with other bodies;
 - clarify the criteria for assessing partnership success for example by explicitly defining what success looks like so that there is an objective scale with which to measure performance;
 - ensure that partnership cultures and working arrangements are regularly reviewed. The less tangible aspects of success such as inclusion, openness and debate should be taken into account in assessing governance structures; and
 - promote the Council's role as a local leader by increasing the publicity afforded to partnerships and their successes.
- 21** We discussed our detailed findings with officers and have agreed an action plan for the implementation of our recommendations.

VFM conclusion

- 22** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 23** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 24 I have discussed and agreed this letter with the Chief Executive and the Deputy Chief Executive. I will present this letter at the Audit Committee on 15 December 2009 and will provide copies to all committee members.
- 25 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 as set out in our Annual Governance Report.
- 26 The Council has taken a positive and constructive approach to our audit. I wish to thank Council staff for their support and co-operation during the audit.

Andy Mack
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Managing finances

Theme score - 2
Key findings and conclusions
<p>The Council has a comprehensive and balanced revenue budget for 2009/10 which was approved following close scrutiny by Members. Budget monitoring and forecasting information is reliable relevant and understandable and the medium term financial strategy effectively integrates service and financial planning.</p> <p>The Council has carried out effective engagement with local residents on specific projects. This now needs to be integrated at a corporate level.</p> <p>The financial position is tightly drawn and the Council has had to deliver significant efficiency savings over recent years. It has a good track record on this, driven through a good understanding of its costs, the main factors that influence these and how they link to performance. It has used zero based budgeting to identify and challenge service standards in a number of areas. Whole life, unit and transaction costs are all used to inform officer's understanding of costs and spend.</p> <p>The Council works well with partners and has attracted significant external investment. This, along with its cost effective approach has enabled some strong outcomes, particularly in Housing, and high public satisfaction, measured by the Place survey.</p> <p>The quality of reporting financial performance has improved during 2008/09, however further improvement is required during 2009/10.</p>

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.1 (financial planning)	Score - 2
<p>Strengths</p> <ul style="list-style-type: none"> • Good integration of financial and service planning and a clear emphasis on medium-term financial planning • The Council has demonstrated a long track record of delivering planned savings • Financial plans are subject to robust member scrutiny and resources are being focused on priorities • Strong engagement with local stakeholders for projects such as Stanhope PFI and Tenterden Gateway. <p>Areas for improvement/further attention</p> <ul style="list-style-type: none"> • The Council needs to continue to monitor closely its spending plans and ensure that planned efficiency savings are realistic and achievable. • Consider the impact of shared services/partnership working on future capacity and planned savings. • Further develop engagement/consultation with the community. 	
KLOE 1.2 (understanding costs and achieving efficiencies)	Score - 3
<p>Strengths</p> <ul style="list-style-type: none"> • Good understanding of costs and the factors that influence these and how they link to performance. • The impact on users is considered as part of the decision making processes with changes made to services as appropriate. • Strong outcomes including the regeneration of Stanhope, the 24/7 sheltered housing scheme, the Gateway Centres, the mini soccer centre, and the Singleton environment centre. <p>Areas for improvement/further attention</p> <ul style="list-style-type: none"> • Given the extent of the savings made in recent years, and the likely reductions in real terms in national funding for local government, delivering efficiency savings will become increasingly challenging. The Council will need to continue to pursue all opportunities for efficiency savings, including those through shared services (back and front office) and other partnership working. 	

KLOE 1.3 (financial reporting)	Score - 2
<p>Strengths</p> <ul style="list-style-type: none"> • Sound process in place for budget monitoring producing timely and reliable financial monitoring. • Performance monitoring is carried out on a regular basis throughout the year. • Financial and performance monitoring information reported regularly to members. • Improved financial reporting arrangements demonstrate implementation of the financial reporting action plan has been successful. <p>Areas for improvement/further attention</p> <ul style="list-style-type: none"> • Further improve the quality control arrangements in place over the accounts production process. • Ensure the needs of the local community are reflected in terms of financial reporting. • Develop environmental impact reporting. 	

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme score - 3	
Key findings and conclusions	
<p>Ashford has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs. The Council has a good record in evaluating different options for procuring services and supplies and routinely reviews the competitiveness and VFM of services.</p>	
<p>Arrangements to specify and monitor standards for the quality of data are good. Arrangements are in place to review the effectiveness of controls used to ensure information systems produce accurate, timely information although there were weaknesses in information security which have now been strengthened as evidenced by a recent internal audit review. Our review of partnerships found adequate arrangements for reliable data from partners but more work needs to be done to ensure it is of good quality.</p>	
<p>The Council has a Constitution in place and prepares and regularly reviews the Corporate Plan, which sets out the vision and intended priorities of the Council both are updated regularly. There are robust arrangements in place for risk management at both a service level, and at a Strategic level which also cover partnership arrangements. The Council can demonstrate a number of examples where it has managed risk well and delivered strong outcomes as a result.</p>	
<p>There are good procedures in place for dealing with allegations of misconduct. A counter fraud and corruption policy is in place and is available to staff and to the public (via the website). Internal investigations that identify prima facie fraud would be referred to the police. The Council participates actively in the National Fraud Initiative and has a strong Audit Committee which operates to best practice terms of reference and performs an effective role in relation to risk management, internal control and finance. Internal Audit, which provides a service across mid Kent, is strong.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.1 (commissioning and procurement)	Score - 3
<p>Strengths</p> <ul style="list-style-type: none"> • The Council has a clear vision of intended outcomes for local people which shapes its commissioning and procurement. • There is a strong track record in using better procurement and commissioning to deliver efficiency savings and in attracting inward investment and growth money. This is providing the platform for strong development and regeneration. • There are good examples of strong engagement with local people, partners, staff and suppliers in commissioning services, including the Stanhope regeneration. <p>Areas for improvement/ further attention</p> <ul style="list-style-type: none"> • Further improve the effectiveness of consultation with the community. • Implement plans from the Community Safety Inspection (eg developing understanding of residents' experiences and insights to improve arrangements further). 	
KLOE 2.2 (data quality and use of information)	Score - 2
<p>Strengths</p> <ul style="list-style-type: none"> • Good arrangements in place to specify and monitor standards for the quality of data the Council shares or relies on internally. • Testing of three PIs (NI 155, 191 and 192) found them to be fairly stated. <p>Areas for improvement/further attention</p> <ul style="list-style-type: none"> • Review procedure notes and ensure up to date arrangements in place for all systems. • Carry out robust checks to ensure accurate information is being reported using the latest guidance with results reported to senior management. • Ensure a systematic approach is in place for the identification of shared internal/external data and validation of external data received. 	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.3 (good governance)	Score - 3
Strengths <ul style="list-style-type: none">• Established constitution with clearly defined roles and responsibilities• Code of Conduct for Members and Standards Committee which follows national best practice• Robust and effective audit committee. Areas for improvement/further attention <ul style="list-style-type: none">• Collect further evidence to demonstrate the effectiveness of the partnership framework.• Nationally levels of public trust in politicians and government has declined in recent years. The Council needs to continue to focus its efforts on building public trust and confidence in the work that it is doing and to demonstrate more visibly how ethical standards are maintained.	
KLOE 2.4 (risk management and internal control)	Score - 3
Strengths <ul style="list-style-type: none">• Sound risk management and internal control arrangements.• No significant areas of weakness identified.• Proactive Audit Committee. Areas for improvement/further attention <ul style="list-style-type: none">• Raise awareness with members of the Councils approach to tackling fraud.• Provide further evidence to members that actions from the partnership framework are being implemented.	

Managing resources

Theme score - 2	
Key findings and conclusions	
<p>The Council’s Workforce Strategy 2009-2012 is good and HR capacity has been strengthened to support delivery of improvements in workforce planning and management. At present there is no corporate workforce plan to complement the strategy, this is carried out at service level and work is ongoing to spread this across the organisation. Capacity problems and workforce is highlighted as a significant risk in the risk register which identifies a number of controls and actions in place to reduce the risk level.</p> <p>Appraisal documentation and guidance is robust and there is a clear golden thread from service plans, to the corporate plan. However, the Workforce Strategy notes that staff perceive that individual performance management is limited and there are actions to rectify this.</p> <p>There is a good competency framework which sets individual performance in context with the mission to protect and improve the quality of life of every resident now and in the future. Continuing achievement of Investors in People over the last six years demonstrates commitment to staff development.</p> <p>The workforce strategy summarises a range of approaches to engage staff in plans and involve them in organisational change. Managers receive additional training if they or their staff are likely to be involved in this. The council undertakes a regular staff survey to obtain staff feedback and uses feedback to drive improvement, eg action plan to improve performance management in response to staff criticism.</p> <p>In terms of policies supporting diversity and good people management, the council has taken advice from external organisations and generally has good policies in place but further action will be required to achieve L3 in the Equalities standard by the end of 2009/10.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 3.3 (workforce planning)	Score - 2
<p>Strengths</p> <ul style="list-style-type: none">• The Workforce Strategy 2009 to 2012 is well set out and HR capacity has been strengthened to support the delivery of improvements in workforce planning and management.• The Council has been innovative in identifying action to address workforce development going forward. <p>Areas for improvement/further attention</p> <ul style="list-style-type: none">• Review action being taken to strengthen capacity and resilience of staff resources to ensure it will deliver the expected outcome.• Ensure good practice in workforce performance management is applied consistently across the Council and improve workforce data.• Ensure actions arising from the HSE external inspection are implemented.	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Review and strengthen quality control arrangements for the production of the annual accounts.	3	Ben Lockwood	Yes	Audit Commission feedback awaited to improve process. Actions will follow.	June 2010
5	R2 Strengthen the audit trail for the preparation and input of journals.	2	Ben Lockwood	Yes	There are over 2000 journals a year and an agreement will be sought between ourselves and the AC as to what constitutes a satisfactory level of 'post journal' checking.	June 2010
7	R3 Continue to monitor closely the financial position including the delivery of planned savings and take prompt action to deal with variations to plans.	3	Paul Naylor	Yes	The Deputy Chief Executive is responsible for the general budget and the Budget Reduction Strategy, including its delivery and monitoring. Monthly monitoring reports are reported to committee.	Ongoing
7	R4 Continue efforts to strengthen performance monitoring and workforce planning.	3	Geoff Luker Michelle Pecci	Yes	Introduction of the corporate 'Performance Compendium' and the full implementation of the Councils' 'Workforce Strategy' adopted by the Executive Committee in June 2009.	Ongoing

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.

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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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