

Annual Audit Letter

Derbyshire Dales District 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.

- 1** You can take assurance from the fact that I have been able to give an unqualified opinion on the financial statements. The draft financial statements were changed to correct a few errors but overall the quality of the financial statements was good.
- 2** I have also given an unqualified value for money conclusion as you have effective processes in place to manage and use your resources to deliver value for money. You deliver good value for money; you manage costs and quality closely. You target investment towards priorities and can prove it is having an impact.
- 3** Our overall assessment of you as an organisation is that you perform well. You are tackling issues that local people recognise as priorities. These are: providing affordable housing, reducing crime, ensuring a clean environment and encouraging healthy lifestyles. Your Home Options scheme has helped house over 250 households in the Dales in its first year. Derbyshire Dales is one of the safest districts in the country and crime figures are continuing to fall. However, the number of motorcyclists killed or seriously injured remains a concern. You have increased the amount of rubbish recycled. You have responded well to the recession and have carried out several measures designed to help local people and businesses during this difficult period.

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

- 4 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009. The financial statements presented to audit contained one material and one non material error which were amended.

Material weaknesses in internal control

- 5 I did not identify any significant weaknesses in your internal control arrangements.
- 6 However, we undertook a specific review of IT arrangements during the year, in response to potential weaknesses in the high level IT controls, particularly related to back up processes and disaster recovery. We were satisfied that the identified weaknesses did not pose a risk to our audit opinion and VFM conclusion but recommended that the Council should monitor the establishment of a robust disaster recovery plan through the shared service agreement with North East Derbyshire District Council.
- 7 I have not provided a comprehensive statement of all weaknesses which may exist in internal control, or all the improvements which may be made. I report only those matters which have come to our attention because of the audit procedures that we have performed.

Accounting Practice and financial reporting

- 8 I considered the qualitative aspects of your financial reporting. I reported two issues through my Annual Governance Report relating to the following.
 - Statutory Instrument 1998/3129 requires that over a continuous three-year period income on the rechargeable elements of the building control account should not be less than costs. Over the three-year period 2006/07 to 2008/09 a cumulative deficit of £165,000 has arisen. A note was added to the accounts to explain the failure to comply with the SI requirements.
 - The note on Treasury Management within the draft accounts was comparatively brief and did not fully cover reporting requirements. In particular, there was no 'risk' note. This note is intended to lay out the Council's exposure to various types of financial risk and its method of managing it. A note was subsequently added to the published accounts to cover this.

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

- 9 In forming my scored use of resources judgements, I have used the methodology set out in the [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.
- 10 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.

The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

- 11 Overall the Council is performing well against the Use of Resources criteria. Particular strengths lie in the Council's approach to and demonstrable results of medium term financial planning and financial reporting. These, combined with the identified outcomes and impact of robust arrangements for data quality, governance and internal control provide a sound foundation on which to manage, direct and control council services.

- 12 The Council understands its costs and performance. Performance is also generally in line with levels of spending. For example where investment has been made in priority areas such as street cleaning this has led to low levels of littering and high levels of satisfaction. There are some examples of where costs and performance levels are not in line. For example, the high level of spending on sport and leisure has not resulted in improved satisfaction. The Council understands the reasons for this and is building new leisure facilities. The Council continues to achieve efficiency savings and works with partners to improve value for money in its service provision.

VFM Conclusion

- 13 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.
- 14 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing performance and organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

Managing performance

- 15 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 16 The Council scores 3 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources).
- 17 The Council is tackling issues that local people recognise as priorities. These are: providing affordable housing, reducing crime, ensuring a clean environment and encouraging healthy lifestyles. Councillors and staff work well together. The Council delivers good value for money. It manages costs and quality closely and targets resources at priority areas. Its Home Options scheme has helped house over 250 households in the Dales in its first year. Derbyshire Dales is one of the safest districts in the country and crime figures are continuing to fall. However the number of motorcyclists killed or seriously injured remains a concern. The Council has increased the amount of rubbish recycled. The Council has responded well to the recession and has carried out several measures designed to help local people and businesses during this difficult period.
- 18 The Council is working with other organisations like the police and health services to reduce crime and anti-social behaviour and improve people's health. It has reduced alcohol related violent crime and it has increased the number of people over the age of 16 taking part in sport.
- 19 Nine out of ten people are satisfied with Derbyshire Dales as an area to live. But there are things that people think the Council could do better, such as doorstep recycling.
- 20 The Council is helping local people and businesses during the recession by introducing several measures. For example, it has generated additional investment to improve properties and increase business for local contractors by starting building projects early. It pays invoices as quickly as it can and it has set up a free debt advice service in partnership with the Citizens Advice Bureau.

Overall organisational assessment

- 21 The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for the Council is that it performs well.
- 22 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Derbyshire, Beverley Parker.

Closing remarks

- 23 I have discussed and agreed this letter with the Chief Executive and the Head of Finance. I will present this letter at the Council on 21 January 2010 and will provide copies to all Council members.
- 24 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.

Table 2 **Reports**

Report	Date issued
Audit Plan	May 2008
IT Service Management	6 August 2009
Annual Governance report	28 September 2009
Opinion and Certificate	29 September 2009
Organisational assessment	10 December 2009

Audit fees

- 25 I was able to deliver the audit within the fee agreed at the start of the year, adjusted by the inclusion of the IT Service Management review, as summarised below.

Table 3 **Audit fees**

	Actual	Proposed	Variance
Financial statements and annual governance statement	57,081	57,081	nil
Value for money	10,708	10,708	nil
Data Quality	4,724	6,254	-1,530
IT Service Management	7,650	nil	7,650
Whole of Government Accounts	932	932	nil
Total	81,095	74,975	6,120

Independence

- 26 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

- 27 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.

Sue Sunderland
District Auditor
December 2009

Appendix 1 – 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	
Overall the Council has good arrangements in place to manage its finances and deliver value for money.	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
The Council has successfully integrated its financial planning process with strategic planning and service planning, and the financial plan is driven by strategic objectives. Despite the current economic climate, the Council's medium term financial plans are based on agreed and achievable projections, rather than aspirational targets. Different risk based scenarios are used to project the detailed impact of potential changes. The council consults with a wide spectrum of stakeholders using a variety of methods to set priorities and respond to changes.	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>There is a strong track record of managing costs alongside quality of services and responding to local needs. Performance is generally in line with levels of expenditure although there are some examples of where these are not in line. For example the high levels of spending on sport and leisure has not resulted in improved satisfaction however reasons for this are understood and is the rationale being used for the development of new facilities. The sustainable financial plan has clear commitment to minimising the impact of efficiency savings on the services and Council priorities are explicit within the decision making process; it shows a robust and realistic approach to achieving efficiency savings and meeting the future budgetary constraints.</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has robust and well embedded arrangements for financial monitoring and reporting during and at the end of the year. Throughout the Council financial information and service performance information is considered in tandem and members receive integrated and understandable reports.</p>	

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme score 3	
Key findings and conclusions	
The Council has good arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council use procurement and shared services to improve value for money. There are a number of services currently delivered through a shared service. Innovative approaches to achieving VFM have been used including the Rural hub which has improved access to services and delivered efficiency savings through co-location/ tandem service delivery.</p> <p>There is no current formal IT strategy, so it is difficult for the Council to demonstrate that it is using technology effectively as an enabler to support corporate objectives and priorities.</p>	
KLOE 2.2 (data quality and use of information)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has a track record of using high quality information and benchmarking to actively manage performance, target resources and improve value for money. The Council produces high quality data and has a well established relationship with its partners underlining the councils focus on robust arrangements. Members and senior officers receive fit for purpose information which is presented in accessible formats appropriate to the decisions being considered.</p>	

Appendix 1 – 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>Key findings and conclusions</p>	
<p>A robust governance framework is in place and it is actively promoted through the actions and leadership of members and senior officers. The Council has sound arrangements for consultation and its strategic priorities reflect the demographic and specific needs of the local and visiting community. Observed evidence identifies a well led and coherent approach from all members focused on delivering strategic priorities.</p>	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The robust internal control and risk management arrangements have had a demonstrable impact on underpinning the delivery of value for money and better outcomes for local people.</p>	

Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme score 2	
Key findings and conclusions	
We have only assessed workforce planning as part of this year's use of resources assessment.	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Councils Learning and Development strategy undertakes that all learning and development will be designed and delivered in line with the Values, Aims and Objectives set out in the Corporate Plan and the Human Resource Strategy in order to enhance the service given to the people of the District. Workforce plans are developed at organisational and departmental levels and linked to service plans and PDS action plans which flow from Corporate Plan priorities. A Joint Consultation Group has been established to enable consultation between employees, management and Trade Unions. It meets bi-monthly to discuss strategic planning, employment policies and organisational change issues. There are a wide variety of policies in place to support diversity and good people management. The Council has achieved Level 2 of the former Equalities Standard and the majority of Level 3 requirements. Although the policies and procedures are in place there is little evidence of the impact this is having on improving performance.</p>	

The Audit Commission

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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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