

Annual Audit Letter

Gravesham Borough Council

Audit 2008/09

November 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 we have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 We issued an audit report including an unqualified opinion on the financial statements on 25 September 2009. The financial statements submitted for audit were generally of a good quality but contained a small number of errors and omissions that management have corrected.
 - 2 We have identified and reported some issues in relation to the Council's accounting practices and financial reporting that the Finance and Audit Committee consider as part of its governance responsibilities.
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Value for money

- 3 We 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 2009.
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Use of Resources assessment

- 4 In 2008/09 the Audit Commission introduced a revised Use of Resources (UOR), framework. Under this framework auditors make scored judgements in the areas of:
 - Managing Finances;
 - Governing the Business; and
 - Managing other Resources.
 - 5 We concluded that the Council was performing adequately in each of the areas reviewed. However nationally the financial position remains tightly drawn and although measures have been put in place locally to mitigate this risk, it is essential that the Council continues to build on its financial and performance management framework if it is to meet future economic challenges.
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Audit fees

- 6 We reported our fee proposal to the Council in the Audit Plan for 2008/09. The outturn fee against that plan is summarised in Appendix 2.
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Actions

- 7 Recommendations are shown within the body of this report and have been agreed with the audited body.

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

- 8 The 2008/09 financial statements were of a good quality and the working papers were significantly improved. During our audit we identified a small number of errors, including disclosure and consistency errors, in the financial statements and reported these to management.
 - 9 We identified one material error during our review of the draft accounts. This related to the treatment of Cobham Park, ownership of which is transferring to the National Trust in 2009/10. When disposing of assets, councils need to assess the value of the asset and its residual value. The calculations are complex and the treatment adopted by the Council did not technically comply with accounting requirements. Officers made appropriate adjustments to the accounts before we signed our opinion and it is important to stress that the adjustment was technical in nature and there was no impact on the Council's overall reported financial position.
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Material weaknesses in internal control

- 10 We did not identify any significant weaknesses in your internal control arrangements.
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Accounting Practice and financial reporting

- 11 We considered the qualitative aspects of your financial reporting.
- 12 Three weaknesses were identified in the accounting practice and qualitative aspects of financial reporting during the 2008/09 financial statements audit. These were reported to management and the Finance and Audit Committee in the Annual Governance Report.
- 13 As part of our work in 2008/09 we have liaised with officers about the preparations being made for the introduction of International Financial Reporting Standards (IFRSs) with effect from 2010/11. The Council has set up an IFRS group that has produced an implementation plan to work through the reporting implications over the coming year and at this time there are no matters to report to you.

Value for money and use of resources

We 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.

We 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

- 14** In forming our scored use of resources judgements, we 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. Level 1 represents a failure to meet the minimum requirements at level 2.
- 15** We 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.
- 16** The Council's use of resources theme scores are shown in Table 2. 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	2
Governing the business	2
Managing resources	2

- 17** The Council has sound arrangements in place to manage its finance, govern the business and manage other resources and has made progress in strengthening its arrangements compared to previous years. The challenge for the Council is to use the arrangements it has in place to help drive the delivery of stronger services and outcomes for local people.

Value for money and use of resources

- 18** However, in common with most other district councils, the Council faces increasing pressure financially during the recession. It has recognised the need to deliver further savings and is assessing options to deliver services in the most efficient way by focussing on partnership working. The Council revised its medium term financial strategy for the next three years and is confident in meeting the economic challenge.
- 19** Key recommendations for the Council are as follows.

Recommendations	
R1	Financial management continues to be sufficiently robust to deal with the many uncertainties and changes facing local government nationally and Gravesham locally.
R2	Continue to engage with local people to ensure that the services delivered are meeting the needs of users.

Other local risk based work

Health Inequalities

- 20** 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.
- 21** 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, most respondents were uncertain if the current strategies were producing effective results.
- 22** Dartford and Gravesham's Health and Wellbeing LSP Sub-Group (one combined group) has existed for some time and has a reasonable understanding of the health inequalities in the area and their underlying causes. As new members had recently joined, the group would benefit from clarifying its objectives, the role of each partner and what they are expected to contribute. This will assist to increase the capacity of the group. However, there appeared to be no shared understanding of what success would look like and how this would be assessed.
- 23** Work is under way to give people more access to facilities to help them have healthy lifestyles. For example, partners in Dartford and Gravesham have invested in increasing leisure services which have led to increased levels of sport and leisure activities.

- 24** The group was also aware that further work would be needed amongst partners to assess whether there are other ways to bring about success in reducing health inequalities. Three key barriers were identified as follows.
- Analysis of data/evaluation of outcomes.
 - Allocation and adequacy of resources.
 - Communication with communities.
- 25** The group identified some actions for the LSP Sub-Group to implement to start addressing the first of these barriers on the analysis of data around health inequalities in Dartford and Gravesham and evaluation of outcomes and interventions. These have been incorporated into a high level action plan for the D&G LSP Health and Wellbeing Sub-Group. The sub group should consider also developing actions for the other identified barriers.

Review of Business Transformation Strategy

- 26** The Council is meeting well the challenge of achieving increased efficiency targets. It realises that a new and integrated approach to making increased savings was needed, replacing its existing VFM strategy with one that seeks to achieve a range of objectives. The Council has agreed a transformation strategy to outline a three year strategic programme in line with the efficiency targets of 3 per cent per annum.
- 27** The outcomes that are expected from the Strategy are not however all easily measured. The expected outcomes reflect the wide-ranging nature of transformation and are clear. While some of the outcomes sought are easily measured, such as the achievement of cash savings, other outcomes are less easy to measure, such as a culture of continuous improvement and encouraging innovation. Moreover it is unclear where these qualitative targets sit within the eight work-streams.
- 28** The Strategy delivery plan is well-structured though currently lacks short-term targets. An efficiency target of £170,714 is 'targeted' in 2008/09 but is the only under cashable savings.
- 29** The reporting of progress on the transformation agenda is an integral part of Council reporting to members, but lacks focus in some areas and the reporting system is currently unable to produce accurate reports for some indicators to enable the calculation of these performance indicators.

VFM Conclusion

- 30** We 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. Our conclusions on each of the areas are set out in Appendix 1.
- 31** We issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 32** We have discussed and agreed this letter with the Chief Executive, Director of Transformation and Finance and Director of Communities. We will present this letter at the Finance and Audit Committee in February 2009 and will ensure that copies are provided to all members.
- 33** 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

Report	Date issued
Audit and Inspection Plan	June 2008
External Opinion Audit Plan	June 2009
Annual Governance Report	September 2009

- 34** The Council has taken a positive and constructive approach to our audit. We wish to thank the Council staff for their support and co-operation during the audit.

Emily Hill
Appointed Auditor

Andy Mack
Acting Appointed Auditor

November 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 - 2
Key findings and conclusions
<p>The Council integrates financial and business planning through the production of its service plans, annual budget and medium term financial plan. The budget and corporate priorities are generated from consultation with their stakeholders and the community. The Council has a good record of achieving its budget and agreed level of balances. Corporate management team and members take collective responsibility for financial management.</p> <p>The Council has a good understanding of its costs, including at a whole life, transaction and unit level, and uses comparative cost and performance data to challenge whether it achieves value for money in its service provision. Competition is used well to identify efficiency gains. The Council has a track record of delivering against challenging targets although they are facing increasing pressures due to the changes in Government requirements for efficiency targets.</p> <p>The Council reports financial information in a timely and reliable manner to officers, members and the public. Budget information is linked to performance data which has led to clearer decision making and management action to address variances. The Council produces accounts in accordance with statutory requirements. An annual consultation exercise is held with the public as part of budget setting and accounts preparation which has led to understandable information being published.</p>

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council integrates its financial and corporate planning processes, including the risk and resource strategies. This allows service managers to link their day-to-day roles and challenges to the corporate objectives. The Council set and approved a balanced budget which includes challenging but achievable savings plans. Officers identified savings which enabled resources to be diverted to priority areas. The Council's treasury management strategy meets the requirements of the Code of Practice for TM and CIPFA's Prudential Code and ensures it has sufficient cash to meet its needs. It supports the strategy by benchmarking its investment performance and reports to members. Although the Council did not have investments in Iceland it has reassessed its TM arrangements and strategy based on the recommendations in the AC Risk and Return report. The Council meets tax and prompt payment legislation and are in the top quartile for per cent of invoices paid in 30 days. Members have approved the policy on reserves which is annually reviewed and is based on a risk assessment. Key financial and business messages are communicated clearly to staff and the budget book is available on its website for stakeholders and the public.</p> <p>In addition to the annual budget, the Council has approved a medium term financial plan that looks forward over a three year period. It sets out the resources required to meet its corporate objectives and priorities, both local and national priorities, and is based on sound assumptions. The MTFP includes a variety of risk and sensitivity scenarios to help management and members determine where resources should be prioritised. The Council has established a programme of best value reviews across its services to identify longer term financial and resource savings; two reviews have been delivered in the year in high cost service areas which have shown some early improvements.</p> <p>The Council engages well with its stakeholders and the public and there are clear links from consultation exercises with its diverse community to the priorities and spending plans it has approved. The Council has achieved beacon status for promoting racial equality and is a driver for equalities legislation with members of management team providing assistance to other Kent bodies in developing equality impact assessments. It has set up a Service Improvement Advisory Group for housing tenants and is undertaking consultation to feed into the revised Housing Strategy.</p> <p>The budget monitoring framework enables early identification of cost pressures and resource shortfalls which has allowed officers to take timely action and address risks. The Council has historically met its budget and maintained the minimum level of balances set out in the reserves policy. The Council will meet its financial targets this year with a small predicted underspend and has set a balanced budget for 2009/10 but needs to identify significant savings for future years. The Constitution sets out the roles and responsibilities of Cabinet and key officers in relation to financial matters and there is a culture of collective financial accountability at service and budget holder level. Members and management team monitor the financial environment closely. Financial awareness training is given to relevant staff and members, with a focus on the Finance and Audit Committee in advance of the accounts approval.</p>	

<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>Overall the Council has a generally good understanding of its costs which continues to improve. Its understanding of the local context and factors affecting service costs, such as its proximity to London, is good. Comparative cost and performance information with its nearest councils in Kent is good through the Kent Price Book. Work has been carried out across the Council with councillors and staff to ensure this understanding and knowledge is shared. Comparative and local demographic data is used well to challenge whether the Council is achieving good value for money. Data on service costs is used to identify services with high costs and low performance. This analysis is then used to carry out value for money reviews. Poorer performing services which have recently been the subject of these VfM reviews are planning and benefits. A systematic approach to comparing costs and measuring value for money of major cross cutting regeneration work is currently lacking. However, the Council has developed a standard document that ensures a consistent approach to project management and cost control in the future.</p> <p>The Council takes a considered approach to whole life costs. New capital project proposals undergo evaluation to establish whole life costs. Current and future years' revenue costs are also calculated and incorporated into service plans, budget monitoring and the medium term financial plan. For example, three options were evaluated from a cost perspective when the Council considered a shared housing IT system with Medway Council. It also considered whole life costs, such as on site maintenance, as it investigated the use of land at Springhead Road in Northfleet for a Gypsy and Traveller site. The Council continues to develop its approach to appraising options for wider social, environmental and economic factors for major decisions. It is now beginning to use a specific improvement and efficiency tool which has been developed for use in local government to aid with this.</p> <p>The Council used its understanding of service costs and local factors in setting its budget for 2008/09. It considered the likely impact of fuel and energy prices and a reduction in income from reduced land charges and car parking. The Council has given greater priority to involving all managers and staff in budget matters during 2008/09. Budget monitoring is a regular item on management and team agendas. Levels of awareness of service costs and budget spend has improved through a new budget setting and monitoring framework. To improve how cost information is reflected in service decisions, resources will feature in service plans in 2009/10. The Council has plans to improve this further with activity performance monitoring and benchmarking starting in 2009/10.</p> <p>The Council takes action to improve service and secure efficiencies. Competition is used well to identify efficiency gains. Two major contracts, for a housing IT system and gas heating, have been let following a sound evaluation of options. Savings have been secured through working with partners, such as the county council, to take advantage of their existing contracts, such as on refuse sacks. The Council sets challenging efficiency targets and has a track record of delivering planned efficiencies. However, a change to Government requirements for efficiency targets has increased the Council's target from £427,890 to £791,670. For the 2008/09 year, the Council exceeded the revised target and reported actual efficiency savings to CLG totalling £851,068. The Council's transformation programme is in response to its financial position and seeks to deliver ongoing efficiencies through service redesign.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council produces budget monitoring and forecasting information which is reliable, relevant and understandable and allows officers and members to take appropriate action to address variances in a timely manner. Reports detailing performance against budgets are produced shortly after month end. Budget managers take ownership of their budgets by signing resource accountability statements as part of the budget setting process. The financial performance of significant partnerships is reviewed although arrangements could be strengthened. The sharing of financial information has resulted in successful management of the projected deficit of the building control partnership. The Council has reviewed and bought forward the budget and reporting cycle and produced the draft budget in November 2008 which has freed up accountancy staff to focus on the closedown process.</p> <p>In 2008/09 the Council improved the monthly financial monitoring reports which have resulted in clearer decision making by officers and members, such as the need to increase the level of minimum reserves and manage staff vacancies. There is an integrated approach to collecting financial and performance data and Cabinet review financial information alongside performance data on a quarterly basis which has allowed them to effectively manage overspends during the year. There are improved working relationships between central finance and budget holders. Reporting has been tailored to the needs of the members which has resulted in greater scrutiny and challenge.</p> <p>The Council produces financial statements that meet the accounting and legislative requirements. The Council has procedures in place to adopt accounts by the statutory deadline. During 2008/09, the Council has been proactive in addressing audit recommendations and improving the quality of closedown processes. This has resulted in a significant improvement to the quality of the accounts and working papers. We gave an unqualified opinion in advance of 30 September 2009.</p> <p>The Council has published the most recent accounts and annual audit letter on its website. It has produced a communications style guide to ensure officers understand and comply with equalities legislation when publishing information. A public consultation exercise is carried out annually in November which considers the residents communication needs and as a result the published budget book contains details of how to access the material in alternative formats and summary financial statements have been redesigned for ease of understanding.</p>	

Governing the business

Theme score	
Key findings and conclusions	
<p>The Council has a procurement strategy and is continuing to develop the approach to commissioning by engaging with service users and is planning to with stakeholders. The Council has maximised opportunities for competition and contestability when selecting suppliers and contractors by developing a suppliers guide for private sector businesses. It uses partnership working and new technologies to achieve value for money in using the resources it has available to them. The Council makes decisions based on good quality data. Cabinet and senior managers receive regular reports on performance which provide an update on the progress against corporate priorities. Roles and responsibilities for producing quality data are understood and there are sound data security arrangements. The Council sought external funding with its LSP partner, Dartford BC, to enable all partners to have remote access to the performance management system for easier data collection.</p> <p>The Council has put good procedures and arrangements in place to monitor the conduct of its staff and members. The Constitution sets out their roles and responsibilities and a protocol is in place for member/officer relations which has led to clear understanding of each other and joint ownership of the vision and priorities in the Corporate Plan. Governance arrangements are in place for significant partnerships.</p> <p>The Council has a risk management strategy and a corporate risk register that is supported by detailed service level registers which are refreshed quarterly. Cabinet receive progress updates on risks and the action being taken to reduce them which includes significant partnerships. There are good fraud and corruption arrangements in place with a corporate team to investigate allegations. The system of internal control has improved during 2008/09 and is effectively operating.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.1 (commissioning and procurement)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>A clear vision for what the Council wishes to achieve for local people is set out in its shared Sustainable Community Strategy with Dartford BC and its own corporate plan. Generally it understands the inequalities in the area, what is important to local people and the challenges and issues they face, such as health inequalities and low skills levels. Its understanding underpins its strategic planning and this informs its approach to procurement and commissioning.</p> <p>The Council's approach to commissioning continues to develop. Research and consultation has improved the Council's understanding of the potential benefits which can be realised and the problems which may be encountered through a strategic commissioning framework. Its procurement strategy reflects commissioning principles. It has yet to engage with stakeholder groups to investigate opportunities for collaborative work but has plans to do so and to develop a commissioning strategy. Commissioning principles have been applied to the delivery of back office services. The Council has set up contract project groups including officers with specialist knowledge and engaged with suppliers and contractors to better understand the market. These approaches were successfully used when procuring the housing IT system, and the re-tendering of the secure cash collection and banking contracts.</p> <p>The Council engages with people who use services to assist with service planning and design. Housing staff engage with service users and the wider community through tenant participation groups, Tenants Forums and the People Bank, a group of volunteers who provide views to the Council on community related matters. These groups provide valuable information to assist the Council in effectively managing the housing maintenance contract. It is taking steps to improve how it engages with local people through establishing three Neighbourhood Forums working with the county council and local parishes.</p> <p>Opportunities for competition and contestability are maximised when selecting suppliers and contractors. Business opportunities are made more available to potential bidders through advertising through the South East Business Portal and the Council's own web-site. Local business is supported through the Council's procurement of goods and services. The Council works with the Thames Gateway (Kent) Chamber of Commerce and Business Link to assist local business in understanding the public sector when seeking to compete for business opportunities. A Supplier Guide is available online providing information on how to apply to the Council for work and what information should be submitted.</p> <p>The Council maximises partnerships to achieve value for money and make the best use of available resources and capacity to deliver the things which are most important to local people. Its commissioning of services is designed to deliver good quality services to meet the needs of the diverse communities in Gravesham. It is actively employed in the employ Kent Thameside Partnership. This helps the Council deliver significant training and skills improvement opportunities to help local people access jobs and local businesses access the skills they need.</p> <p>New technologies are being used to streamline services and improve efficiency and access. Several ageing IT systems have been replaced in recent years, including the financial management and revenues and benefits systems. A range of services are provided online and through the Customer Contact Centre. These include e-forms and online payments and there is a 24 hour automated telephone payment line. New electronic payment systems have reduced the number of telephone calls to the Contact Centre for payments. These systems provide better opportunities for local people to access services and free up time for staff to deal with customers who require face to face contact.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council produces good quality data. Councillors and officers give high importance to the quality of the data it produces and uses with its partners. It applies the principle of COUNT (collect once and use numerous times) in its arrangements of managing and monitoring its performance. Data collected is linked to the Council's strategic objectives and national indicators and integrated into existing business processes. It is clearly seen throughout the organisation as part of the 'day job' and not an additional responsibility. Roles and responsibilities in producing good quality data are well understood. This enables the Council to have confidence that the information it produces is robust. Arrangements are in place to ensure the appropriate frequency, analysis and reporting data and are agreed at the start of the financial year.</p> <p>The valuable contribution staff make to securing good quality data is recognised. A performance reporting timetable ensures that most reports for Cabinet and senior officer away days are produced in a timely way and have the approval of the sponsoring Director. Councillors receive accurate and timely information about performance created through sound analysis of the raw data.</p> <p>Sound governance arrangements cover data quality for partnerships. These arrangements are reviewed quarterly to help the Council and its partners understand data flows and requirements. During 2008/09 the shared Local Strategic Partnership (LSP) with Dartford BC received external funding to enable all partners to have remote access to the performance management system to make the collection of data easier and quicker. Information sharing protocols are in place for the joint CDRP with Dartford BC. These arrangements enable partnership decisions to be based on sound and timely information which partners can rely on.</p> <p>Good quality information helps support decision making. Cabinet and senior managers receive regular reports on performance. The monthly performance reports for the Cabinet away days provide updates against corporate priorities. The format of these reports was agreed with the Cabinet at the start of the financial year to ensure it met councillors' requirements.</p> <p>There is no significant data control weakness in the Council's performance management system so ensuring data security. Access and user rights are restricted and appropriate to individual's needs and roles. A business continuity plan is in place and regularly reviewed and tested. The Council is a member of the Kent Business Continuity Partnership Programme which funds an officer to work at the Council for two months every year to work on business continuity to ensure arrangements remain robust.</p> <p>The 08/09 spot checks confirmed that there are good arrangements in place for producing and reporting good quality data.</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>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The functions and roles of members and corporate officers are set out in the published Constitution. This is periodically reviewed, updated and approved by Full Council to ensure it remains up to date with legislative requirements and reflective of the Council's structure. There is a clear protocol for relations between members and officers of the council. The Performance Management Framework provides a structure of meetings and systems that enable robust and challenging meetings on a monthly basis for members/directors and directors/service managers to manage service delivery and monitor performance against corporate plan priorities. Working relationships with staff have improved as they are more engaged in the corporate priorities. There is a formal induction programme for new members and ongoing training is provided upon member request or for emerging issues at specific Committees. There are monthly member bulletins which ensure that all members are kept up to date with key issues and aware of the work of other committees.</p> <p>The council's leadership set out its vision in the Corporate Plan 2008 to 2011 with clear strategic priorities. This was revised following the KA2 and Sustainable Community Strategy for Dartford and Gravesham and approved by Full Council in October 2008. The plan has been clearly communicated to officers, members and the community through the website, local newspapers, articles in Your Borough magazine, members bulletins, and posters around the Civic Centre. An external consultant surveyed staff and the community and their views were incorporated into the vision.</p> <p>There are codes of conduct for staff and members which are signed up to. The codes are included in the induction programme as an early starting point for awareness of their ethical responsibilities. Internal audit and the monitoring officer monitor compliance with the codes and procedures. Although there is a Standards Committee members have not met during the year; the Monitoring Officer makes returns to the SBE but these have not been reviewed by the Committee prior to submission. Arrangements are in the process of being strengthened. The Chief Executive leads with an open and transparent culture by holding lunchtime staff talks. These are well attended and give staff an opportunity to raise ideas and concerns directly. The CE responds to all queries which has improved communication and respect between colleagues. Ethics and probity training was given to members in 2008 and all NVQ and ACAS training for staff includes issues on ethics. The complaints procedure is clearly publicised on the website; management team monitor complaints statistics and communicates learning from action taken to all staff via the staff newsletter 'Scuttlebutt'. In 2008/09 the Ombudsman delivered training to management team on the Council's complaints made to them; none referred to them resulted in a report. There is a confidential reporting policy with investigations undertaken as appropriate. There are good procedures in place for authorising members' and officers' expenses.</p> <p>The Council has a register setting out all of its partnership working. It has set up a governance arrangements template which has been completed for all significant partnerships. The template addresses all key governance aspects. Although there are constructive working relationships with smaller partnerships, the voice of the Council in the major regeneration schemes is not at the forefront and they are not always heard. The Council makes an effective contribution to the LSP.</p>	

<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>Key findings and conclusions</p> <p>Cabinet and corporate management team revised the risk management strategy and corporate risk register at the away days in December 08 and January 09. The production of the risk register is integrated with the financial and business planning processes. The corporate register is supported by detailed service level registers which are reviewed quarterly to assess action taken and refresh risks as appropriate. The Cabinet receives quarterly reports which provide broad updates on the progress that is being made in relation to key risks. The Finance and Audit Committee provides independent assurance over the adequacy of the risk management framework. 63 officers involved in risk management received two training sessions by Zurich Municipal during the year with the latter being an opportunity for the service manager to present their register to the Director and Assistant Director of the service. It is included in the induction programme for new starters. The Council's approach to risk management in partnerships is improving and for example it has incorporated risks into the corporate register which has enabled them to successfully deliver the Cobham and Ashenbank Management Scheme.</p> <p>The Council has sufficient policies and procedures in place to prevent and detect fraud and corruption. It's anti-fraud and corruption strategy is approved annually by Cabinet and is available on the website. Senior managers demonstrate their teams' awareness of the strategy as part of the assurance framework for the Annual Governance Statement. There is a pro-active fraud programme in place which is adequately resourced by a corporate investigation team, involving benefits staff, internal audit and personnel, who are all appropriately trained. A confidential reporting policy is communicated to staff and fraud hotline has been set up. The Council publicises proven benefit fraud cases and the intention to recover losses and actively participates in NFI exercises.</p> <p>Officers and members review the system of internal control annually as part of the Annual Governance Statement preparation. The Constitution includes the financial and contract procedural rules and scheme of delegation and the s151 and MO review all draft committee papers to ensure compliance with laws and regulations. The Council's past problems in producing timely and complete reconciliations have been addressed. The service manager for finance has taken responsibility for audit recommendations and progress has been made during the year. The internal audit function provides an effective service with the service manager for audit carrying out Best Value Reviews to identify value for money within key services. The Council is part of the Kent Business Continuity Partnership Programme and review and test their own business continuity plan regularly. The Finance and Audit Committee reviews the work of internal and external audit in accordance with the CIPFA guidelines.</p>	

Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme score	
Key findings and conclusions	
<p>The Council has robust plans in place to plan, organise and develop its workforce effectively to support the achievement of its strategic priorities. It assesses the skills of the workforce and provides training to meet knowledge gaps. The Council shows good commitment to the health and well being of its staff. There is a detailed workforce plan and succession planning has seen nine out of twelve participants progress to service manager level. The Council manages organisational change and communicates well with staff throughout the process. It is seen as an attractive employer and holds beacon status for racial equality.</p>	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has an appraisal scheme for all staff which includes identification of skills gaps and development required. As a result, a programme of NVQs for skilled staff and basic literacy training for manual workers has been put in place. It identified the need for consistency in operational managers and 50 managers have completed an NVQ level 3 in management skills. The Council has updated its style of recruitment to corporately brand advertisements and has made a move to e-recruitment which has reduced costs whilst attracting a good range of applicants. The Council has agreed policies for health and safety and managing sickness absence. It is committed to the health, safety and wellbeing of its workforce and offers staff comprehensive health screening and regular health events. An Occupational Health Nursing Advisor is available on site at the Civic centre. As a result, sickness absence has reduced from 10 to 7 days and the occupational health contract has achieved greater quality of service and quantity of output whilst making a saving of £3,000 in 2008/09.</p> <p>The Council integrates service and workforce planning. As part of service business planning, all managers complete a workforce development assessment which includes a review of the level and skills mix of their staff. There is a Workforce Development Plan that sets out the vision of the Council for the next three years and the resources needed to deliver this. The Council prepared for the ageing profile of the workforce by creating the 'managers for tomorrow' scheme which has successfully seen nine out of twelve managers progress to service manager level. The Council has improved and reduced its use of agency staff through the negotiation of a new contract with Kent Top Temps. Recruitment of agency staff posts has to be approved by management team which has led to a reduction in spend of £300,000 in 2008/09 for temporary/agency staff.</p>	

Key findings and conclusions

The Council underwent a comprehensive management restructure effective from 1 April 2008 to rationalise the senior management team. The key change was the creation of a service manager level which has resulted in operational managers being more aware of and delivering corporate priorities and staff satisfaction improving. The Council created a Joint Staff Consultative Committee as a forum for staff to discuss and resolve issues they are experiencing. The Chief Executive holds regular staff talks as open sessions for feeding back current developments and plans where staff can raise their concerns. There is a staff magazine which raises awareness of the steps officers can take to feed into the Council's priorities. The 'Accommodating Excellence' programme focussed on the reduction in the council's estate by accommodating more staff in the civic centre. Staff were kept informed and their views were canvassed on a regular basis. Working parties were set up for each floor to receive feedback on the programme and identify issues/changes as they arose.

The Council has a wide variety of policies in place to support good people management and ensure compliance with equalities legislation and duties. It is committed to creating an over-arching equalities policy and is working with other Kent authorities to achieve this. Members of wider management team provide mentoring services on equality impact assessments to other Kent authorities; although they have been slow at implementing their own programme of assessments. The Council holds Beacon status for Racial Equality which makes it an attractive employer for the local ethnic community. Job vacancies are advertised with the Racial Equality Council. As at end of March 2009, 10 per cent of the top 5 per cent earners and 8 per cent of the total employees are from ethnic minority backgrounds. The Council has achieved level 3 of the Equality Standards and has undertaken an equal pay review.

Appendix 2 – Audit Fee and Independence

Text Audit Fees

1 Table 3 sets out the proposed audit fees for the 2008/09 audit year.

Table 3 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	88,037	88,037	0
Value for money, including use of resources	29,536	29,536	0
Total audit fees	117,573	117,573	0

Independence

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

Appendix 3 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Financial management continues to be sufficiently robust to deal with the many uncertainties and changes facing local government nationally and Gravesham locally.	2				
7	R2 Continue to engage with local people to ensure that the services delivered are meeting the needs of users.	2				

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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