

Annual Audit Letter

Tendring 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 accounts and the results of the work I have undertaken to assess the way in which you use your resources.

Accounts

- 1** The Council is required to prepare and approve its accounts by the 30 June 2009. The Council met that deadline. The accounts were complete and were supported by a good set of working papers, which enabled me to complete my audit programme by the 30 September deadline.
 - 2** Our audit did find some errors in the approved accounts which the Council agreed to correct. I reported these to the Council's Audit Committee (as those charged with the governance of the Council).
 - 3** As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at the 31 March (an unqualified audit opinion) and its income and expenditure for that financial year.
 - 4** An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The Council have developed a project plan to implement these standards and is progressing with the implementation of this plan.
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Use of Resources

- 5** We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6** The Council is performing well overall (Level 3). It attained the following scores in our assessment.
 - Level 3 in respect of the way it manages its finance.
 - Level 3 in respect of the way it manages and governs the business as a whole.
 - Level 3 in respect of the way it manages its people.
- 7** The Council delivers high quality, low cost services and targets its resources to priority areas. Spending is kept within budget and investment made in priority areas which is underpinned by an effective medium term financial strategy. The Council uses cost information and benchmarks its costs and services against other councils where it is clear that it will add value. It consistently delivers efficiency savings. Budgets and performance are carefully monitored and effective action is taken if spend or performance starts to vary from what is planned.

- 8 Arrangements to manage risks are in place, with prompt action taken where necessary. The Council has a good workforce development strategy. There is a well established performance and development appraisal process. Most staff feel engaged and positive about the organisation. However, capacity is affected by high sickness absence.
- 9 As a result of my assessment, I concluded that the Council had proper arrangements in place for the way it manages its use of resources.

Other supporting work

- 10 We also undertook a review of planning arrangements which supported the use of resources judgements. We found arrangements are in place but more could be done to improve the service. A number of the issues identified had already been recognised by the Service and were being addressed as part of its continuous improvement regime. We will be undertaking a formal follow up next year.

Managing Performance

- 11 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 the local people.
- 12 The Council scores 3 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources). The managing performance score is 3 because most services are improving.
- 13 Areas of good performance include effective waste collection, street cleaning and paying benefits claims quickly and accurately. The Council is taking an increasingly prominent community leadership role and playing an active part in tackling the wider issues facing the community. The Council is improving the way it consults with local people, although there is room for further improvement.
- 14 The Council is updating its priorities based on what local people have said and what is known about local needs. It has clear plans to improve services and help achieve wider community ambitions. There is a robust performance management system. The Council has invested in building capacity but faces several challenges including succession planning. External perception of the governance arrangements of the planning service and member decision making is negative and threatens the effectiveness of the regeneration agenda.

Overall Organisational Assessment

- 15 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 Tendring District Council is that it performs well.

Key messages

- 16** The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Essex - Ian Davidson.
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Financial Standing

- 17** The last year has seen the country enter a significant economic recession on the back of a global economic crisis triggered by the collapse of a number of high profile international banks.
- 18** The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 19** The Council is responding to this challenge. The implications of the recession are understood and the challenges faced are being acknowledged by the Council as a whole. The latest financial strategy considers the impact of the economic downturn and addresses the funding shortfalls and increased demand for services identified.
- 20** The impact of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.
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Audit fees

- 21** I have been able to deliver and conclude my audit programme within the fee that I planned.
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Independence

- 22** As the External Auditor appointed to audit the Council, I have to maintain my independence. I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
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Recommendations

- 23** I have made a number of recommendations within my Annual Governance and Use of Resources reports to further develop the arrangements in place at the Council.
- 24** The Council should monitor the implementation of these recommendations.

Financial statements and annual governance statement

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

- 25** I issued an unqualified opinion on the Council's accounts on 29 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 26** Before giving my opinion, I reported to those charged with governance, in this case the Audit Committee, on the issues arising from the 2008/09 audit. I issued my report on 24 September 2009.

Accounting issues

- 27** The draft accounts were approved on 30 June 2009, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 28** The working papers supporting the accounts were prepared to a good standard and responses to queries and requests for additional information were helpfully and promptly dealt with by finance staff.
- 29** The audit did not identify any material errors in the financial statements. However, amendments were made to the notes to the accounts to ensure they were correctly stated.
- 30** I did not identify any significant weaknesses in your internal control arrangements and the Council's annual governance statement was in accordance with requirements. The Council's internal audit team comply with the requirements of the CIPFA code. The financial systems underpinning the accounts continue to operate with generally sound controls in place. However, there is still scope for further improvements which were outlined in my interim report.
- 31** I presented my Annual Governance Report to the Council on 24 September 2009, which included the full details of the issues arising from our audit of the accounts.

Certification of claims and returns

32 We certify the Council's claims and returns on the following basis.

- Claims below £100,000 are not subject to certification.
- Claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification.
- Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

33 The Council's housing benefits and the projects to reduce the risk of flood or coastal erosion returns required amendment prior to certification. The reasons for the amendments have been reported to officers and improvements to strengthen the Council's arrangements for the preparation of claims and returns have been agreed.

International Financial Reporting Standards

34 The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.

35 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council has a detailed project plan in place, with key milestones, and progress is reported to the Audit Committee. The intention is to restate the 2008/09 financial statements before 30 June 2010.

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

- 36** 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. Level 1 represents a failure to meet the minimum requirements at level 2.
- 37** 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.
- 38** The Council's use of resources theme scores are shown in Table 1.

Table 1 Use of resources theme scores

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

- 39** The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my detailed Use of Resources report. The key theme findings are summarised below.

Value for money and use of resources

Managing Finances

- 40** The arrangements for financial management are in place and operate effectively, with clear identifiable outcomes in terms of delivery of budgets over a number of years and a focus on ensuring resources are available to deliver the priorities of the Council. The two key priorities over the recent years have been to improve leisure facilities and regenerate the district. Funding has clearly resulted in delivery of outcomes in these areas.
- 41** The Council uses its understanding of costs to drive planning and decision making, with Members monitoring both performance and cost. Service departments generally have good awareness of costs and the Council takes a measured approach to benchmarking when considered appropriate.
- 42** There is a proven track record of identifying and delivering efficiency savings which are built into the Medium Term Financial Strategy (MTFS). Budget monitoring is based on the MTFS and action has been taken where variances arise. It is clear that Heads of Service drive the financial process and strategy, ensuring that the information input is relevant and reliable.
- 43** Performance information is reviewed in a similar manner. The track record in both areas demonstrates the effectiveness of actions taken to deliver outcomes, in terms of meeting both priorities and budget targets.
- 44** The financial accounts audit for 2008/09 was completed with no significant issues identified. The one area for improvement is in the Annual Report of the Council which is effectively website links to the key information required which, while having benefits from a value point of view, suffers from some accessibility issues.

Governing the Business

- 45** The Council has a track record of delivering high quality low cost services with resources targeted to priority areas, resulting in improvements in performance and customer satisfaction.
- 46** There are strong arrangements in place in respect of data quality with performance monitored against priority performance indicators and evidence of further development in respect of partnerships. There are no issues with data security and a secure government internet connection is in place.
- 47** There is a clear vision of the Council supported by delivery against key priorities. There is an effective governance framework in place which includes arrangements in respect of partnerships. However there has been a number of governance issues referred to the Audit Commission in 2008/09 which reflects the impact of the fragile political balance at the Council. There are also specific governance issues to be addressed in the planning service which are required to restore the external reputation of the Council in this area.

- 48 The system of internal control in place is largely effective and is supported by an effective internal audit unit. The audit committee challenge the findings of internal and external audit although there remains a question mark over the effectiveness of this process. There have been some historic resourcing issues in internal audit that have prevented the delivery of proactive counter-fraud work but this is expected to be addressed in 2009/10.
- 49 Risk management is clearly in place and being actively monitored at the Council with new risks being considered quickly and action taken as a result. This includes monitoring of partnerships

Managing Resources

- 50 The Council provides good opportunities for learning and development. Examples include the Management Development Programme and NVQ2 training for front line staff. There is also a successful Career Track programme and a scheme to help employees attain professional qualifications.
- 51 The Council provides good quality training for members, working in partnership with other councils, with positive feedback. There is also a well established performance and development appraisal process.
- 52 Capacity is adversely affected by high sickness absence which the Council continues to take action to address.
- 53 The Workforce Development Strategy is linked to key objectives and developing workforce talent and succession planning are top priorities. Staff feel engaged and positive about the organisation, and satisfaction with management ability has improved.
- 54 The Council has a good record on equality and diversity supported by top quartile performance against the duty to promote race equality. It achieved level 2 of the equality standard for local government in 2007/08.

VFM Conclusion

- 55 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.
- 56 Based on the Use of Resources assessment, which was linked to the criteria set out above, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Planning service review

- 57 We carried out a review of the planning service which provided me with assurance for my use of resources assessment.

Value for money and use of resources

58 The aim of the review was to provide an external check on whether the Council's Planning Service is operating efficiently and effectively to support delivery of the Council's priorities. The review focussed on the development control section of planning service (ie the determination of planning applications) and did not examine planning policy or enforcement in any detail.

59 The review involved:

- a document review;
- two days on site conducting interviews and focus groups;
- telephone interviews; and
- observation of planning committee meetings.

60 Key conclusions were:

- the Planning Service is not consistently recognised internally as being a key player to help the Council deliver all of its priorities, especially: a strong local economy; affordable housing; being a willing partner; and earning a positive image. The behaviour of some councillors was cited by both those within and outside the Council as damaging the reputation of the Council, demoralising the service and thereby limiting improvement and its potential contribution to regeneration of the District;
- there have been performance improvements in the recent past and planning performance indicators were generally above average in 2007/08. Unaudited Council data suggest performance improvement has continued through 2008/09. There is a willingness and enthusiasm within the service to improve and there has been an internal review to promote service improvement. Actions are being taken to improve the service but a lack of user focus and inconsistencies of service and advice remain. Pre-application advice and the Development Team approach are not yet functioning effectively. The primary focus is to identify S106 requirements, rather than as a means to help potential applicants and improve the quality of potential developments;
- there is an absence of published advice notes to assist applicants and enhance both internal capacity and consistency. There is no information specially tailored to local circumstances and informed by an analysis of frequently asked questions. Benefits from the IT system are not being maximised, with some officers reluctant to use it. Effective use of the planning IT system (Uniform) can enhance capacity, but it requires considerable financial and staff investment to maximise utilisation if the Council and the public are to receive value for money; and
- the Council's support arrangements in terms of processing planning applications are overly complex with applications passing backwards and forwards between support and planning officers. There is an over reliance on checking and validation. There is now more effective tracking of Section 106 planning agreements and obligations. Financial contributions are now closely monitored to ensure timely and appropriate use.

- 61 At the time of our fieldwork in August 2008 the Council advised that a number of the issues identified in the report had been recognised by the Service and were already being addressed as part of its continuous improvement regime. The agreed Action Plan takes into account the improvements which have been implemented since August 2008, particularly in relation to e-planning. The remaining actions are ongoing or have still to be delivered to appropriate timescales.
- 62 We will be undertaking a formal follow up next year.

Financial standing

- 63** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams.
- 64** The Council has felt the impact of the recession in a number of areas which include increased levels of claims for Housing Benefit and a drop in income. In response they have been able to maintain service delivery levels in those areas hard hit and are looking at ways of flexibly utilising resources and identifying opportunities to support and lead initiatives to minimise the impact. Examples include a programme of actions to help the Council achieve medium term financial stability including a review of the senior management structure.
- 65** The financial position of the Council is becoming increasingly challenging, in particular for future financial periods (2009/10 onwards):
- increased use of balances to support the budget in 2009/10. £451k of the 2008/09 underspend has been allocated to meet the predicted deficit in 2009/10; and
 - medium term financial planning has identified significant funding gaps of £0.9 million in 2010/11, rising to £2 million in 2011/12.
- 66** The Council is responding to this challenge; the medium term financial strategy considers the impact of the economic downturn and addresses the finding shortfalls identified. The implications of this are understood and the challenges faced are being acknowledged by the Council as a whole.
- 67** Though the economic downturn is presenting specific issues and risks to the Council, I am satisfied that it is taking appropriate steps to respond. However, this is an area I will continue to consider closely when assessing how the Council makes effective use of resources during my 2009/10 audit.

Audit fees

68 The audit has been delivered and concluded within the planned fee.

Table 2 Audit fees

	Actual	Planned	Variance
Financial statements and annual governance statement	£72,614	£72,614	£0
Use of resources and performance reviews 2007/08	£37,255	£37,255	£0
Data quality 2007/08	£10,114	£10,114	£0
Whole of government accounts	£2,815	£2,815	£0
Total audit fees	£122,828	£122,828	£0

Closing remarks

- 69** I have discussed and agreed this letter with the Chief Executive and the Head of Financial Services will present this letter at the Audit Committee on 17 December 2009 and will provide copies to all members.
- 70** 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 3

Report	Date issued
Audit and inspection plan	May 2008
Opinion audit plan	December 2008
Planning Service report	May 2009
Interim Report	September 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter	December 2009
Use of resources report	December 2009
Managing Performance and Organisational Assessment	December 2009

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- 71** 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.

Availability of this letter

- 72** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Christine Connolly
Appointed Auditor
December 2009

The Audit Commission

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

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

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

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