

Annual Audit Letter

Tunbridge Wells 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 My 2008/09 audit is now complete. I issued an unqualified opinion on the Council's financial statements dated 23 September 2009. I concluded that the processes for preparing the Council's accounts continued to improve in 2008/09, with stronger working paper trails and appropriate action on key technical issues.

Value for money

- 2 I issued an unqualified value for money conclusion, stating that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Use of Resources assessment

- 3 In 2008/09 the Audit Commission introduced a revised UoR (Use of Resources), framework. Under this framework auditors make scored judgements in the areas of:
 - Managing Finances;
 - Governing the Business; and
 - Managing other Resources.
- 4 I concluded that the Council was performing well in each of the areas reviewed. Performance management is particularly strong and the Council has a good track record in delivering efficiencies and service improvements. However, like other public bodies the Council is likely to face significant challenges associated with the impact of the economic downturn. A continuing strong framework of performance and financial management will be essential if the Council is to meet these challenges.

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.

Matters arising from the audit

- 5 The draft financial statements were approved by the Audit Committee on 23 June 2009. Officers presented a complete set of accounts and provided supporting explanations to members on key issues
- 6 I reported on the detailed matters arising from my audit to the Audit Committee on 22 September 2009. I concluded that the Council's closedown processes had been strengthened in 2008/09, with improved working paper trails, a willingness to review and challenge previous practice and evidence that appropriate action had been taken on key technical issues. There were no material audit adjustments to the accounts. I issued an unqualified opinion on the Council's accounts on 23 September 2009.
- 7 I did not identify any significant weaknesses in the Council's internal control arrangements which might result in a material error in the financial statements. I also concluded that the Council's annual governance statement complied with CIPFA requirements and was consistent with my knowledge of the Council.
- 8 I also consider the qualitative aspects of the Council's financial reporting. In my report to the Audit Committee I noted the need for further action by the Council to:
 - improve procedures for reconciling the Council Tax and NNDR systems to the general ledger;
 - obtain sufficient information from third parties to allow an external valuation of Royal Victoria Place; and
 - ensure that all summary financial information included in the Annual Report is consistent with the annual accounts.

An action plan has now been agreed with officers.

Impact of the economic downturn

- 9 In preparing its accounts the Council considered the impact of current market conditions on the valuation of its land and building assets. Taken together with changes in valuation methodology this review led to the identification of impairments totalling £50,300,000.

Financial statements and annual governance statement

- 10 I concluded that the value of impairments in the Council's financial statements was fairly stated. However, this issue highlights the extent to which the economic downturn continues to have a significant impact on public finances. Going forward the downturn may also have a significant impact on the ability of public sector bodies to fund the delivery of services and capital programmes. The Council has a relatively strong balance sheet and has acted quickly over the past year to identify and address the effects of the downturn. However, like other councils its capacity is likely to be stretched by the impact of the recession. A continuing strong framework of performance and financial management will be essential if the Council is to meet these challenges.

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 [use of resources framework](#). Judgements for each key line of enquiry (KLOE) have been made using the Audit Commission's current four point scale which is as follows:

- 1 = inadequate and below minimum standards;
- 2 = performs adequately;
- 3 = performs well; and
- 4 = performs excellently.

Further details of the assessment criteria are given at Appendix 1.

12 I have also taken into account, where appropriate, findings from previous use of resources assessments and other relevant audit work.

13 The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for each themes, and for the underlying KLOEs, are summarised at Appendix 2.

Table 1 2008/09 Use of resources theme scores

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

Value for money and use of resources

- 14 Overall I concluded that the Council has effective arrangements in place to manage its finances, govern the business and manage other resources. It continues to have a strong corporate focus on improvement, with active benchmarking of costs and a willingness to seek efficiencies through service redesign and joint working. There are effective mechanisms for performance management, a well-established governance framework and a robust framework to support service and financial planning. I concluded that the Council was performing well in each of the three areas assessed.

Other local risk based work

- 15 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.
- 16 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, although most respondents felt that strategies were in place to address health inequalities, they were unclear whether these were producing effective outcomes.
- 17 The overall findings from the self-assessment survey were fed back in a series of workshops to each of the LSP sub-groups across Kent. At these workshops we also asked delegates to identify the key barriers locally to reducing health inequalities. The three key barriers identified by the Tunbridge Wells Health and Older People's sub group were:
- prioritising the actions which would most effectively tackle health inequalities;
 - engagement with local communities; and
 - perceptions of affluence versus deprivation.
- An action plan has been developed with the Group to tackle these issues.
- 18 We have now completed presentations to all Health and Wellbeing sub groups across Kent. We have also summarised our overall findings in a presentation to the Kent Public Health Board.

VFM conclusion

- 19 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission.

- 20 I issued an unqualified conclusion on 23 September 2009 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 21 I have discussed and agreed this letter with the Chief Executive and the Head of Finance and Governance. A copy of the letter will also be provided to all Council members.
- 22 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.
- 23 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.

Andy Mack
District Auditor
December 2009

Appendix 1 – Use of resources assessment criteria

Level 2 Meets only minimum requirements – performs adequately	Level 3 Exceeds minimum requirements – performs well	Level 4 Significantly exceeds minimum requirements – performs excellently
<p>Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>Arrangements sufficient to address the KLOE demonstrating, for example: organisational leadership and commitment; partnership working; and appropriate capacity and skills informed by priorities with supporting action plans as appropriate.</p> <p>Arrangements that achieve minimum acceptable levels of performance.</p>	<p>Implemented effective arrangements that are:</p> <ul style="list-style-type: none"> • forward looking and proactive in identifying and developing opportunities for improvement; and • include more sophisticated measuring and assessment techniques. <p>Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working.</p> <p>Evidence of performing consistently above minimum acceptable levels and achieving value for money.</p>	<p>Demonstrating innovation or best practice.</p> <p>Demonstrating strong outcomes for the community including through partnership working.</p> <p>Evidence of performing well above minimum acceptable levels and achieving excellent value for money.</p>

Appendix 2 – 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	
<p>The Council has a robust framework to support service and financial planning. This includes an outline ten-year financial plan and a clear medium term planning framework around the use of key assets. There are also well-established plans to reduce the level of dependence on investment interest, so freeing up reserves to support key priorities. Budgets are based on realistic assumptions and the Council is in a relatively strong financial position with high levels of reserves. There has been prompt action to anticipate and address the implications of the economic downturn.</p> <p>The Council continues to have a strong corporate focus on improvement and on seeking opportunities to achieve efficiency savings, including through joint working arrangements with other Councils. It has a good track record of examining cost drivers and of benchmarking costs and performance. There is effective use of information for decision-making, although there are still opportunities to improve the measurement of outcomes.</p> <p>The Council has robust processes for financial monitoring and for the integrated reporting of financial and performance information to members. There are also well-established scrutiny arrangements, including a strong Audit Committee which includes a number of independently appointed members.</p> <p>In 2008/09 the Council again strengthened its processes for preparing the annual accounts, building on improvements from the previous year. There were no material audit adjustments to the accounts.</p>	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> ● Good integration of financial and service planning. ● Good track record in delivering savings. ● Strong balance sheet which underpins future investment plans. ● Resources focused on priorities. ● Evidence of improved outcomes. <p>Issues to consider</p> <ul style="list-style-type: none"> ● To what extent will the recession and potential reductions in real levels of government funding impact on future improvement plans? 	
<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> ● Good understanding of costs. ● Effective use of benchmarking. <p>Issues to consider</p> <ul style="list-style-type: none"> ● How to deliver improved efficiency while maintaining or improving performance, particularly in the context of the economic downturn? 	

Appendix 2 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	3
VFM criterion met	Yes
Strengths <ul style="list-style-type: none">• Sound processes for budget monitoring.• Improving processes for accounts preparation.• Effective scrutiny framework for the annual governance statement and the financial statements.	
Issues to consider <ul style="list-style-type: none">• Can the Council embed the improving processes for accounts preparation by strengthening permanent capacity within the finance department?	

Governing the business

Theme score	3
Key findings and conclusions	
<p>The Council has an effective framework for commissioning services, based on a clear vision and a well-developed understanding of local issues. This includes a good track record of consultation involving local people, partners, and other key stakeholders.</p> <p>The Council's overall performance management framework is strong, with effective mechanisms to monitor progress and take action on underperformance. It has a culture of using performance data to drive improvements, with a strong accompanying focus on data quality issues. There is also evidence of a willingness to embrace service redesign.</p> <p>The Council's governance framework is well-established. There are effective mechanisms to review processes and procedures, appropriate arrangements for managing the Council's business risks and a robust framework of internal control. There are also effective arrangements to manage the risk of fraud and corruption and to ensure ethical conduct. Levels of reported fraud are low and the Council adopts a zero-tolerance approach.</p>	
KLOE 2.1 (commissioning and procurement)	
Score	3
VFM criterion met	Yes
<p>Strengths</p> <ul style="list-style-type: none"> • Comprehensive procurement strategy. • Strong understanding of the needs of local people. • Effective working with partners. • Good use of benchmarking, including Kent Price Book, which helps drive decision making. • Examples of strong outcomes including the Gateway project and significant savings from the leisure contract. 	

Appendix 2 – Use of resources key findings and conclusions

<p>Issues to consider</p> <ul style="list-style-type: none"> • How will the Council and its partners engage all sections of the community in the regeneration of the town centres? • How will the Council demonstrate the tangible benefits of the support it is offering the local economy during the recession? 	
<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • Robust arrangements to produce relevant, reliable and accurate data; • Information is user-friendly and data is used effectively to inform decision making; • Strong culture of managing performance and driving continuous improvement in services; and • Effective arrangements for sharing data with partners. <p>Issues to consider</p> <ul style="list-style-type: none"> • How will the Council anticipate potential changes in requirements and ensure that data remains relevant for the needs of its users? 	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Strengths</p> <ul style="list-style-type: none"> • Established constitution with clearly defined roles and responsibilities; • Robust audit committee with independent members which provides effective scrutiny; • Strong commitment to ethical governance and leadership including good training and support for Members; and • Comprehensive governance arrangements to support partnership working. 	

Appendix 2 – Use of resources key findings and conclusions

<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>Strengths.</p> <ul style="list-style-type: none"> • Strong risk management arrangements. • Sound internal control arrangements. • Zero tolerance approach to fraud. <p>Issues to consider</p> <ul style="list-style-type: none"> • How can the Council ensure maximum benefit is quickly obtained from the new joint internal audit arrangements across mid Kent? 	

Managing resources

<p>Theme score</p>	<p>3</p>
<p>Key findings and conclusions</p> <p>The Council has a strong focus on using workforce planning and the effective management of staff to deliver its priorities. There is a well-established performance appraisal system which has clear links to corporate objectives. There is also evidence that organisational change is managed effectively and that staff are actively involved. In 2009 the Council identified senior management capacity as an area of risk but an action plan to address the relevant issues is now in place. There is evidence of effective action to reduce skills gaps and levels of sickness absence.</p>	

Appendix 2 – Use of resources key findings and conclusions

KLOE 3.3 (workforce planning)	
Score	3
VFM criterion met	Yes
Strengths <ul style="list-style-type: none">• Systematic approach to workforce planning.• Effective approach to recruitment, skills planning and performance management.• Good approach to organisational change and partnership working.	
Issues to consider <ul style="list-style-type: none">• Is workforce planning sufficiently robust to deal with the many uncertainties and changes facing the Council and local government generally, including the impact of the recession and potential reductions in government funding?	

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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