

Annual Audit and Inspection Letter

March 2008



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Dartford Borough Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 The Council is making progress against its corporate priorities. This is particularly so in terms of its objectives for regeneration. It is also making progress in improving those areas where performance was weaker, such as in recycling and in time taken to determine planning applications. It is improving access to services, including for those who are most vulnerable. Overall, it has clear plans for improvement, aligned with those of partners, and uses external funding well, in support of its local priorities.
- 2 The Council has maintained its 3 out of 4 rating in its use of resources assessment. Whilst the Council's value for money arrangements were again assessed as adequate, it has made improvements in this area which should feed into the 2008 assessment.

Action needed by the Council

- 3 The Council should note and act upon the areas identified in its use of resources assessment. This includes further consolidation of the Covalent system and continued focus on areas of relatively high cost or low service quality.

Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 5 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 7 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 9 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Dartford Council performing?

- 10 Dartford Borough Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

Performance overview

- 11 The Council's Corporate plan 2007/08 identifies five priority service area themes, namely:
- Citizenship and Community;
 - Regeneration;
 - Leisure Time;
 - Environment; and
 - Housing.
- 12 These service areas are underpinned by two corporate values - Quality Services and Corporate Health.

Performance overview

- 13 The Council has maintained a consistent rate of improvement in terms of key performance indicators (PIs). Over the last three years, 57 per cent have improved, above the average range for all district councils (the range being 54-56 per cent). Though this rate has been maintained for 2006/07 (the last full year for which figures are available), this is now average (the range being 56.9-59.1 per cent) when compared with other district councils. The Council has twenty seven of its key PIs in the best 25 per cent of councils, which is below the average for district councils (33 per cent).
- 14 In 2007, the Council was assessed as 'performing well' in managing its Use of Resources by the Audit Commission.

Leisure time

- 15 The Council is improving the availability of and participation in a wide range of leisure activities. The new Judo Centre has seen an increase in youth attendance in 2007 and has been adopted as a British Training Camp for the 2012 Olympics. Completion of Princes Park Stadium has resulted in greater local participation in sporting activities, for example, through high community usage of pitches and with 17 teams affiliated to Dartford Football Club. The Council completed the Stone Lodge Outdoor Bowls centre; delivered improvements to Princes Golf complex; and completed a £120,000 skate bowl and plaza in 2007. It also successfully completed the fourth phase of the £2m children's playground refurbishments. The Big Lottery Fund has approved the Council's Play Strategy which releases £200,000 for initiatives such as a new water play feature in Central Park. The Council has continued to make significant investment into leisure initiatives and this is beginning to deliver improved outcomes.
- 16 Satisfaction with leisure is mixed in 2006/07. Satisfaction with sports and leisure facilities is above average but participation in sport and active recreation is in the worst 25 per cent of councils. Satisfaction with theatre and concert halls is in the best performing councils and satisfaction with museums and galleries above average. In contrast, satisfaction with parks and open spaces is below average.

Regeneration

- 17 The Council is making good progress against its plans for regeneration. In 2007, it completed the first phase of the Bridge Development, a partnership between the Council and a developer. This included construction of an Innovation Centre and completion of a Regional Distribution Centre. As part of this development, the Council has implemented Route A of its Fastrack scheme, including a new bridge over the toll plaza area of the Dartford Crossing dedicated to this Fastrack service. The Council has produced a revised Town Centre Strategy and in 2007 it completed street scene works using £1.5m funding secured from the Department of Communities and Local Government via the South East Economic Development Agency. The quality of its building design has been externally recognised through a number of design awards including for 'The Bridge'. The Council has successfully secured significant additional funding for its regeneration work as part of the new Thames Gateway Delivery Plan and in association with its partners, including Gravesham Borough Council.
- 18 While performance is improving on Major and Other planning applications it is from a low baseline and the time taken to process Minor applications has not improved. Satisfaction of applicants with the planning service is high, but the percentage of planning appeals allowed is below average. As part of a corporate fitness exercise, the Council has changed methods of working in the planning service. In addition it has used innovation to address some of the challenges it faces when dealing with large scale applications, which allow the pooling of cross agency funds across geographic boundaries. The Roads and Homes tariff - a joint initiative with Government, Kent County Council and Gravesham Borough Council (GBC) has resulted in funding of £40m from one developer, £76m from Government and a charge of £5,000 per property towards future transport infrastructure, providing an overall programme fund of £175m. An interim Roads and Tariff policy has been adopted in October 2007.

Environment

- 19 Levels of waste collected and recycled are improving but from a low baseline. In 2006/07 the Council improved the level of waste that it recycled and composted to 18.6 per cent (20 per cent by December 2007), still placing it in the worst performing councils. The level of household waste collected is improving but is worse than average. However, the cost of waste collection is low and satisfaction with waste collection is high and satisfaction with recycling above average. The Council's Big Bin vote in July 2007 found that 94.5 per cent of residents wanted weekly waste collection, with more recycling. The Council has since begun to roll out enhanced recycling resulting in average recycling rates of 27 per cent on these rounds. It presently has no plans in place for composting. The Council has also introduced a Graffiti service with GBC; a Clean Kent partnership with KCC and Kent districts including a joint Hit squad; and is continuing its successful Deep Clean Programme. On a strategic level it is contributing to the Kent Joint Household Waste Strategy, which is beginning to make a positive impact.

- 20 The local Crime and Disorder Reduction Partnership (CDRP) is addressing worse than average crime levels with mixed success. Overall crime has fallen by 14 per cent between April 2007 and December 2007 compared to the previous year. Audited data for 2006/07 shows that the number of domestic burglaries; theft of and from a motor vehicle; and sexual offences have improved but performance is worse than average when compared to similar CDRPs. Both violence against the person and robberies are worse than average and increasing. The percentage of residents who feel 'fairly safe' or 'very safe' outside after dark and during the day is lower than the regional average. A joint CDRP has been established with Gravesham and its performance has been recognised by the Home Office¹. In December 2007, the Council extended the Anti-Social Public Drinking restriction zones, and its Grabacab scheme, involving dispersal of late night revellers, is recognised as reducing late night crime. The operation of the PSU (co-located teams of Council, Police and other partners working to tackle crime) in March 2007 within the Civic Centre has enabled Council staff from service departments to feed in issues such as Anti Social Behaviour, enabling prompt combined action.

Housing

- 21 The Council is making mixed progress on housing management. While the percentage of Local Authority homes which are non decent is in the worst 25 per cent of councils in 2006/07, the number has fallen significantly. Average re-let time in days is better than average but the percentage of rent collected is below average and not improving. The Council has since organised two Rent Arrear Card campaigns in 2007 resulting in increased levels of debt collection. The percentage of urgent repairs completed in time is high and the average time taken to complete non-urgent repairs is above average. The Council anticipates further improvement through its procurement of a new long term maintenance contract in April 2007. Tenant satisfaction is below average.
- 22 The Council is making good progress on community housing. Homelessness and advice services have been redesigned to concentrate on preventative measures. For example the six months rent in advance scheme has been introduced to reduce the reliance on temporary accommodation. Consequently the average length of stay in B&B accommodation is better than average and the average length of stay in hostel accommodation is in the best 25 per cent of councils – at zero weeks. The Council is improving the percentage of private sector homes vacant for six months or more, though is below average in comparison to others. It has completed 80 affordable dwellings in 2006/07 but well below its target of 140, due to a slower than anticipated overall rate of development. However 103 affordable dwellings have been completed since April 2007, with a further 118 planned before March 2008. The Council is thus making affordable housing more of a reality for local residents.

¹ In January 2008 the Home Office identified Dartford as 1 of the 44 CDRPs whose area figures displayed the biggest gap between current crime figures/medium to long term trends and the target set for April 2008, and have the highest crime rates in comparison with their comparator areas.

Citizenship and Community

- 23** The Council is improving the quality of life of residents, particularly of those who are most vulnerable, by making services more accessible. Overall satisfaction with the Council is above average, time taken to respond to complaints is better than average and satisfaction with complaints handling is high. In 2006/07 the average time taken to process new housing benefit claims is 27 days - better than average when compared to other councils and improving. Cases processed correctly are also above average and overpayments recovered are high. Whilst the Council has carried out Equality Impact Assessments in its key services, it has achieved only level 2 (of 5) of the Equality Standard for Local Government. The Council is encouraging a sense of community involvement and pride in Dartford, for example, by actively engaging the community in developing its Town Centre Strategy and plans for waste management. The Council has allocated £30,000 to the Resident's Forum for local projects and has established an Elder Forum which is also being used by partner organisations. In 2007 the Council built a new reception in its main office and continued to phase in services into its Contact Centre. As a participant in the Kent wide access to services Mystery Shopping Programme, the Council achieved the highest score on telephone access, was below average in relation to website access and above average with regard to email access.
- 24** The Council's external auditors have judged it as providing adequate value for money in its recent Use of Resources assessment. The Council has reduced its overall spending to a level comparable with that of the lowest spending councils and those areas that remain very high cost are being addressed as part of strategic approach to efficiency. Its performance is good in many specific areas, but processes to support VFM decision making have lacked resources. Dartford continues to think 'lean'; for example, it outsourced the HR function in October 2007 with Payroll planned in April 2008 - with anticipated savings of £50,000. The Council has made good progress in delivering efficiency gains.
- 25** The Council has clear strategic plans for improvement which are aligned to those of partners. It is working with KCC and partners on the new Local Area Agreement by linking its local priorities to those of the agreement. The Local Strategic Partnership has adopted an updated interim Community Strategy with a set of SMART targets, which are monitored through the Council's performance management system, as are the Council's Priorities (via critical success factors) which are set out in its Corporate Plan 2007/08. The role of Quality Services Committee has been enhanced to monitor Service Performance as well as developing the Council's approach to 'value for money'. The Committee also monitors improvement plans including the Housing Improvement Plan which was successfully completed in December 2007. The recent Use of Resources assessment found performance management to be not fully embedded and for further opportunities for Councillors to be involved in the challenge process with all services. The Council has effective procurement practices at an operational level, but has plans, which are already underway; to radically change the way it handles procurement. In 2007 an external review of data quality concluded that the Council was performing well.

- 26 External funding is sought strategically to support local priorities. The Council has a successful track record of securing external funding and using it to deliver required outcomes. In 2007, it secured in the region of £4.4 million, including £1.5 million for Town Centre improvements. The Council is also creating internal efficiencies through restructuring. There has been a major restructure of Housing Services to increase efficiency whilst also delivering the Housing Services Improvement Plan. The Council has also embarked on a Council wide restructuring to deliver further economies in 2008.
- 27 There are no significant weaknesses in arrangements for securing continuous improvement and work done by both the external auditors and the Council's own internal audit indicate no failures in corporate governance that have been identified.

Service inspections

No service inspections have been carried out in 2007.

The audit of the accounts and value for money

- 28 As your appointed auditor Baker Tilley are responsible for reporting on your financial statements, assessing the adequacy of your arrangements to achieve value for money and reporting on your best value performance plan and data quality management arrangements. They are also responsible for assessing your arrangements for the use of resources, described in paragraph 33 onwards. Baker Tilley have reported separately to the Audit Board on all these matters.
- 29 The auditor provided an unqualified opinion on your financial statements on 26 September 2007. The draft accounts presented for audit were free from material errors and were supported by working papers of a high standard. Whilst no material or significant errors were found in the accounts some changes were made which reflect classification errors and additional disclosures; these, though, had no effect on the year end surplus or general fund balance.
- 30 Baker Tilley concluded that your value for money arrangements were adequate on the basis of the criteria specified by the Audit Commission. This conclusion was largely supported by the work carried out on the Council's use of resources.
- 31 The auditors issued a report on your 2006/07 best value performance plan confirming that they had audited the plan and that it met the relevant statutory requirements.

Use of Resources

- 32 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
 - Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

- 33 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 34 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 35 The Council continues to have strong arrangements in place for Financial Reporting, which includes the production and reporting of its statement of accounts. The score of 3 for this theme reflects the relatively small errors found in the draft accounts.
- 36 Financial management arrangements (including financial strategy, budgetary control and asset management) remain strong. The Council's annual budget and financial strategy provide solid basis for its detailed financial management processes such as monthly budget monitoring and variance reporting.
- 37 The Council's financial standing arrangements are also strong. It has a strong track record of financial discipline, consistently underspending against its annual budget. Moreover, it has also been able to manage its financial resources without significantly depleting its general reserves.
- 38 The Council's internal control and governance arrangements were graded as level 3 as in the prior year. Within this theme, the Council scored a level 4 on its probity arrangements. Risk management, though, should be strengthened to fully assess key risks arising from partnership working.
- 39 The Council's value for money arrangements were again assessed as adequate. The Council has continued to make improvements in this area, but will need to demonstrate outcomes in terms of lower costs and better service performance to progress further.

Other issues arising from audit work

Data quality

- 40 This was the second year in which the auditors have undertaken work on data quality. The work was conducted over three stages:
- management arrangements - an overarching review of the Council's approach to data quality;
 - analytical review - a review of outturn performance indicator data against plausible and permissible values; and
 - spot checks - a risk based in depth review of three specific indicators.
- 41 Overall, the auditors assessed Data Quality as level 3 (performing well) which was consistent with the findings in the prior year. They found that the Council was making effective use of its performance management system, 'Covalent', allowing data, guidance and outturn data to be accessible from one location and tailored to the needs of user groups.
- 42 Improvements in data quality can be made, for example, by strengthening the processes for internal review and approval of the information on Covalent, and also by more work on identifying and rectifying areas of non-compliance with performance indicator guidance.

Grant claims

- 43 The volume of audit work on grant claims has continued to decline; in relation to 2006/07 Baker Tilley audited six returns compared to nine in the previous year. They expect this trend to continue in 2007/08 with a further reduction in the number of returns requiring auditor certification and a corresponding reduction the fees charged for this work.

Audit fees

- 44 The planned audit fee for 2006/07 core audit was set at £85,500. No additional fees were incurred by the Council in relation to the core audit and therefore, the outturn fee remained unchanged from planned fee.

Specific powers and duties of local government auditors

- 45 In addition to the general functions of auditors (as set out in the Code), auditors of local government bodies have specific powers and duties under the Audit Commission Act (1998).

- 46 Under this Act, the powers and duties of auditors include:
- to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts;
 - to apply to the court for a declaration that an item of account is contrary to law; and
 - to consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for a judicial review.
- 47 During the 2006/07 audit we did not receive any objections in relation to the accounts and no matters have arisen that required us to exercise any specific powers or duties.

Looking ahead

- 48 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 49 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 50 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 51 This letter has been discussed and agreed with the Council Leader and Managing Director. A copy of the letter will be presented at the Audit Board on 30 June 2008.
- 52 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan for 2007/08	June 2007
Report on the 2006/07 audit	September 2007
Data Quality report	October 2007
Use of Resources Report (2007)	February 2008
Annual audit and inspection letter	March 2008

- 53 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Paul Chambers
Relationship Manager

March 2008