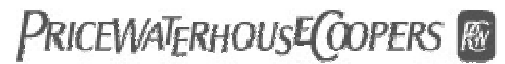


Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

**Darlington 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.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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## Key messages

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from the work we have undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council; it has been written for councillors in particular. It is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
  - The Council has continued to make good progress in its top priorities. It continues to improve outcomes for local people. It has consolidated its position in those areas where it performs strongly.
  - The Council has made progress in areas identified as weak in our last assessment, in particular in community safety and school attendance. It is taking action to address weaknesses in the planning service.
  - Although the rate of improvement in national performance indicators slowed in 2006/07 compared to other councils, the Council had more indicators in the top quartile.
  - The Council is well organised and highly focused on improvement. Value for money is excellent and improved. Capacity is being improved further, notably through a new partnership with Stockton Borough Council for 'back office' functions.
  - The Council's accounts were signed off with a clear audit opinion in September 2007.
  - The Council maintained a score of 3 out of 4 for the Use of Resources assessment in 2007.

## Action needed by the Council

- 4 The Council should continue its successful focus on areas of poorer service performance.
- 5 The Council should continue to build on the improvements its grant management arrangements.

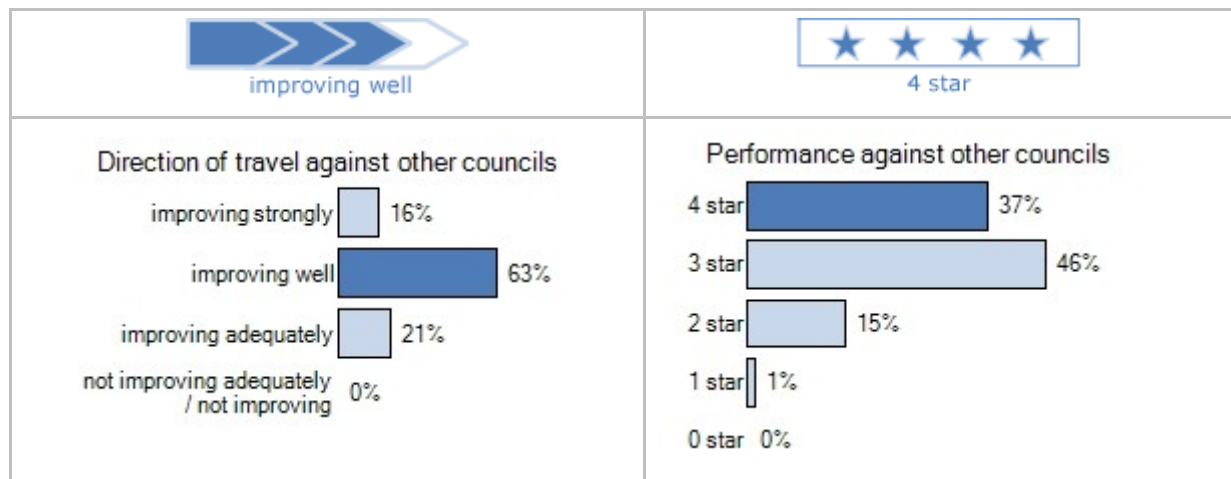
## Purpose, responsibilities and scope

- 6 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.
- 7 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.
- 8 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](http://www.audit-commission.gov.uk). [In addition the Council is planning to publish it on its website].
- 9 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.
- 10 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.
- 11 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 Darlington Council performing?

- 12 The Audit Commission’s overall judgement is that Darlington Council is improving well and is classified as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1**



*Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis*

Source: Audit Commission

## The Audit Commission's overall assessment - the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4
Corporate assessment/capacity to improve Note: this is the 2005 corporate assessment score; a new corporate assessment of the Council is being carried out in April 2008	4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	4 out of 4

*Note 1: \* these aspects have a greater influence on the overall CPA score; 1 = lowest, 4 = highest.*

*Note 2: in April 2008 the Council will undergo a new corporate assessment and a Joint Area Review (JAR) of services to children and young people.*

## Direction of Travel summary for CPA Scorecard

- 13** Darlington Borough Council is improving well. It has made good progress in its top priority areas. The Council has contributed well to strengthening the local economy. Standards of educational attainment are better on every main indicator, except one, and previously high levels of school absence have begun to reduce. Concerted action with partners has led in the first half of 2007/08 to lower levels of crime, an area of major concern a year ago. The Council has sustained its performance in areas where it performs strongly, for example, in housing, adult social care and the benefits service. The quality of the planning function, however, has worsened in the past year, although the Council has taken action to tackle this weakness.

- 14 The Council is well organised and highly focused on improvement. It has shown how it can tackle areas of poor performance effectively. Value for money is excellent and improved. The Council is taking action to improve its capacity still further, notably through setting up a partnership on 'back office' functions with a neighbouring council.

## The improvement since last year - our full Direction of Travel report

- 15 The Council has continued to make good progress in its top priorities. It continues to improve outcomes for local people. It has consolidated its position in those areas where it performs strongly. It has made progress in areas identified as weak in our last assessment, in particular, community safety and school attendance. All but one of the assessments making up the overall CPA scorecard have been maintained at scores of at least three out of four. The exception is the culture score, which has dipped from three to two out of four.
- 16 In 2006/07:
- 63 per cent of Best Value performance indicators (BVPIs) had improved in the last three years; this was at the average for all single tier and county councils; AND
  - The rate of improvement during the year had slowed compared with previous years, but the Council had a higher proportion (32 per cent) of BVPIs in the top quartile compared to the average (29 per cent) for single tier councils.
- 17 The Council has continued to make good progress in its priority areas of improving the local economy, raising educational achievement and promoting inclusive communities. Important issues causing difficulty or uncertainty a year ago have now been resolved. These include the Pedestrian Heart project, and the establishment of an academy.
- 18 The Council has made a good contribution to improving the local economy. The major pedestrianisation of the town centre, a source of public concern and irritation last year, has now been successfully completed. Resident satisfaction with the upkeep and appearance of the town centre has increased from 59 per cent in 2006 to 82 per cent in 2007. Developments to strengthen the commercial base of the town have continued apace. Phase 2 of the Morton Palms Business Park is complete. Planning permission has been obtained for a major town centre retail development, along with the commitment of a major department store to the project. The Council has been a key contributor to economic partnership within the Tees Valley 'city region', as a member of Tees Valley Unlimited.



- 19** Services for children and young people have improved. Standards of educational attainment are better on every main indicator, except one (standards in English at Key Stage 3). No schools are now below the threshold of 30 per cent achieving five A\*-C GCSEs. Rates of school attendance, a longstanding problem for the authority, improved over the first two terms of 2006/07. The overall rate of exclusions has dropped, although the number of permanent exclusions from secondary schools has not been reduced. The academy at Eastbourne School has opened, with the result that uncertainty about the organisation of secondary education in the town is resolved. In the Audit Commission's school survey, schools judge the authority as significantly improved on 43 out of 69 questions. Ofsted has maintained its assessment of children's services at a score of three out of four.
- 20** The Council has made good progress in promoting inclusive communities, its third key priority. It has raised the profile of the issue through agreeing a new community engagement strategy, 'A Bigger Say and a Better Deal for Communities', and appointing a portfolio holder with specific responsibility for communities and engagement. Community Partnerships have secured £0.7 million external funding for local targeted initiatives. A marketing campaign has increased the take-up of housing benefits by £0.8 million. The benefits service has maintained its maximum score of four out of four. The Council has also maintained its maximum score of three stars for adult social care, with excellent capacity for improvement. The proportion of residents, who either tend to or definitely agree that their local area is a place where people from different backgrounds get on well together, has increased by nearly 13 per cent in the last year.
- 21** Crime and community safety has been an area of poor performance in the recent past. However, over the last eighteen months, the crime and disorder reduction partnership has systematically reviewed its approach and taken action. As a result, recent performance has improved markedly. Comparing performance during April – August 2007 with the same period in 2006, overall crime (PSA1) is down by 25 per cent and there has been a reduction on every one of ten main indicators. For example, criminal damage is down 34 per cent, domestic burglary down 19 per cent and vehicle theft down 13 per cent.
- 22** The Council's performance in improving the local environment is mixed. The Council has kept its CPA score of three out of four. Performance in managing waste is hampered by an unsatisfactory waste disposal contract. A new contract has, however, now been let, commencing in April 2009. In the meantime, recycling and composting rates, though slightly improved, are still in the bottom quartile. A radically new way of providing 'Street Scene' services (which includes, for example, waste collection, street cleansing and park and grounds maintenance) has established itself successfully in the last year. The result has been significantly improved resident satisfaction.

- 23 Housing is one of the Council's particular strengths. The top CPA score of four out of four has been maintained. The Council has eliminated 'non-decent' homes (assessed according to national standards). Tenant satisfaction is well above the top quartile and opportunities for tenant participation have increased. Three out of four key indicators on homelessness have improved and are in the top quartile.
- 24 The Council has enhanced what the town has to offer culturally, although the CPA score has dipped from three to two out of four. It has completed the major refurbishment of both the Dolphin Leisure Centre and the Arts Centre on time and on budget. These improvements have been well received, as shown by greatly improved recent satisfaction ratings. Satisfaction with parks and open spaces has also gone up significantly, reflecting the successful operation of new 'Street Scene' arrangements.
- 25 One area of the Council's work has got worse: the planning function and, in particular, the time taken to process planning applications. The Council has recognised this weakness and has introduced measures to improve performance. These are already making an impact. Despite these problems, the percentage of applicants satisfied with the planning service has remained in the top quartile.
- 26 Value for money is excellent. The score for this element of the Use of Resources judgement has improved from three to four out of four. The Council has exceeded the efficiency targets required by the Gershon review. The council tax remains comparatively low, well below the average for the Tees Valley. The 'Street Scene' changes have improved performance at lower cost. Single status for all employees has been successfully achieved during the past year.
- 27 The Council's improvement planning is robust and well focused. The corporate plan, 'Leading Edge', is very clear about the priorities for improvement and how these will be achieved. The Council has demonstrated in the last year how a focus on areas of underperformance, for example, in crime and community safety, can deliver significant improvement. The successful approach to service review, embodied in the 'Street Scene' changes, has been replicated in a review of administrative support. The Council is keen to refine and develop its ways of working. It is currently combining a review of the community strategy, with the introduction of a new approach to corporate planning.
- 28 The Council has enough capacity to deliver its priorities. It has restructured its departmental organisation to increase capacity. Significant progress has been made in setting up a partnership with Stockton BC jointly to deliver key 'back office' activities such as ICT, transactional finance and human resources. This project is planned to 'go live' between April and July 2008. There are no significant weaknesses in corporate governance.

## Service inspections

- 29 The Audit Commission has carried out no service inspections at the Council in the last year.
- 30 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

### **2006/07 Annual Performance Assessment of Social Care Services for Adults Services for Darlington**

- 31 The Commission for Social Care Inspection (CSCI) assessed the Council as delivering good outcomes overall with excellent prospects for improvement.
- 32 Strengths included provision of information, good consultation including with minority groups and involving people with learning disabilities in planning services, supporting people in their own homes, good use of direct payments, prompt assessments, the use of intermediate care and support workers, availability of preventative services, very prompt delivery of equipment, rapid work on major adaptations to people's homes and support to carers.
- 33 Areas for improvement included quality assurance and data collection, better collection of feedback from service users, the need to review integration plans with the health service, completion of new day service provision, and a focus on enabling people to move into paid work.

### **2007 Annual Performance Assessment of Services for Children and Young People in Darlington**

- 34 Ofsted assessed the Council as providing good services for children and young people overall, with good capacity to improve. The Council's contribution to improving outcomes was outstanding in two of the five areas (Being Healthy and Making a Positive Contribution), good in two areas (Staying Safe and Achieving Economic Wellbeing), but adequate for Enjoying and Achieving.

### **Annual Assessment by Benefit Fraud Inspectorate**

- 35 The Benefit Fraud Inspectorate (BFI) assessed the Council as providing a high level of service, scoring 4 (out of 4) overall. As last year, it scored 4 on each theme of the assessment: claims administration, security, user focus and resource management.

## The audit of the accounts and value for money

- 36 Your appointed auditor, PricewaterhouseCoopers LLP (PwC), has reported separately to the Audit Committee on the issues arising from the 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts;
  - a conclusion on your use of resources arrangements to say that these arrangements are adequate on 28th September 2007; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.

### Use of Resources

- 37 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).
- 38 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 2**

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	4 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**

- 39** The key issues arising from the audit, as reflected in the above judgements where appropriate, are set out below.

### **Accounts**

- 40** PwC gave an unqualified opinion on the Council's 2006/07 financial statements by the statutory deadline of 31 September 2007.
- 41** No significant issues were noted during the course of the audit. The accounts presented for audit were timely and of good quality. The working papers supporting the accounts were organised, comprehensive and well presented.

### **Use of Resources**

- 42** The Council has maintained its 2006 score of 3 out of 4 for the Use of Resources assessment carried out by PwC in 2007. This equates to 'consistently above minimum requirements – performing well'. This represents good progress against a background in which the Audit Commission has consistently 'raised the bar' to support continuous improvement with a more stringent set of assessment criteria in 2007.
- 43** Notable features of the Council's Use of Resources assessment in 2007 were:
- an improved score of 4 out of 4 for the procedures in place for achieving value for money. This led to an overall theme score of 4 out of 4 for Value for Money; and
  - an improved score of 4 out of 4 for the procedures in place to manage significant business risks.

### **National Fraud Initiative**

- 44** The Audit Commission has reviewed the operation of the National Fraud Initiative within the Council and concluded that progress has been made in all areas although there are a few (comparatively minor) issues still to address.

### **Management arrangements in relation to data quality**

- 45** PwC reviewed the management arrangements in place at Darlington Borough Council to secure data quality during 2006/07 and concluded that the Council was 'performing well'.

### **Summary of results of data quality spot checks**

- 46** PwC carried out detailed checks on the accuracy of six performance indicators. None of these indicators required any amendment following PwC's review and all of these indicators were agreed as being fairly stated.
- 47** Some small recommendations were made with regard to best practice to ensure the Council can maintain this level of accuracy going forward.

**Certification of grant claims and returns**

- 48** PwC has certified 12 grant claims and returns to date in 2006/07 for Darlington Borough Council. A number of these claims were either qualified or required amendment following PwC's review. In addition, a proportion were submitted for certification by the Council after the date required by the scheme rules. Whilst the percentage of grant claims qualified/amended was still high in 2006/07, it did represent an improvement from the prior year (80 per cent to 67 per cent), although a reduced number of grants were audited in 2006/07
- 49** The Council should continue to build on the improvements shown in its grant management arrangements.

## Looking ahead

- 50 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.
- 51 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.
- 52 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

- 53 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented at Cabinet on 29 April 2008. Copies need to be provided to all Council members.
- 54 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.

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**Table 3      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2006 and 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Internal control report	January 2008
Direction of Travel summary and CPA results	February 2008
Annual audit and inspection letter	March 2008

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

## Availability of this letter

- 56 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Sarah Diggle**  
Relationship Manager

**Paul Woolston**  
Appointed Auditor

March 2008