

# Darlington Borough Council

## CPA Use of Resources – Assessment Results

|

Ada Burns  
Chief Executive  
Darlington Borough Council  
Town Hall  
Feethams  
Darlington  
Co Durham  
DL1 5QT

November 2006

Dear Ada

**CPA – Use of Resources – Assessment Results**

We are pleased to present the summary results of our assessment of the Council's use of resources, which has been completed in accordance with the methodology and guidance issued by the Audit Commission.

Yours sincerely

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW  
Telephone +44 (0) 191 232 8493  
Facsimile +44 (0) 191 269 3244  
Direct Phone 0191 269 4422

# Contents

Section	Page
Introduction .....	4
Assessment results .....	5

**Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In March 2005 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Introduction

## Introduction

We have completed our assessment of Darlington Borough Council's use of resources in accordance with the methodology and guidance prescribed by the Audit Commission. This is the second year that the Council has been assessed in accordance with this methodology and a number of changes the criteria were introduced, 'toughening' the standards.

We have updated our understanding of the arrangements in place at the Council. We have focused on areas of where the criteria have changed from the previous year and on areas where the Council has implemented changes to respond to the issues raised in last year's assessment.

The results have been subject to PwC and Audit Commission quality assurance arrangements designed to ensure compliance with the methodology and guidance and to promote consistency of assessment between appointed auditors.

The tables in Section 2 set out the detailed results of the assessment and highlight the areas for improvement, based on the criteria devised by the Audit Commission. Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance levels 2, 3 and 4.

These translate into the following assessments:

4 = well above minimum requirements – performing strongly

3 = consistently above minimum requirements – performing well

2 = meeting minimum requirements – adequate performance

1 = below minimum requirements – inadequate performance

The Audit Commission determines the overall use of resources score by combining the auditor's separate scores for each of the themes covered, using a set of rules which they published in their October 2005 report 'CPA – the harder test', this was updated, after consultation, in February 2006. The Audit Commission advised authorities of the overall use of resources score on 1 December 2006.

# Assessment results

<b>Financial Reporting</b> How good are the council's financial accounting and reporting arrangements?		<b>3</b>
<b>Overview</b> <p>The scope for Member scrutiny of financial accounting and reporting arrangement has been strengthened by the implementation of an Audit Committee. This has given the Council a robust platform to scrutinise a range of financial and audit matters.</p> <p>Overall, the quality of the 2005/06 financial statements was consistent with standards set in the previous year and the Council maintained a score of '3'.</p> <p>The Council routinely complies with the Accounts and Audit Regulations (2003) and the relevant amendment orders in relation to external accountability.</p> <p>The arrangements related to accountability have been strengthened in 2006 through the continued publication of summary financial statements of an annual report setting out key aspects of the financial and operational activities of the Council in 2005/06.</p>		
<b>Key Lines of Enquiry</b>		
<ul style="list-style-type: none"> <li>The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers</li> </ul>		<b>3</b>
<ul style="list-style-type: none"> <li>The Council promotes external accountability</li> </ul>		<b>3</b>
<b>Areas for Improvement</b>		
<ul style="list-style-type: none"> <li>To maintain the current high standard of accounts presented for audit, the Council should prepare in advance for significant changes to the SORP that are anticipated for 2006/07 and 2007/08. Advance preparation will ensure that the accounts are fully SORP compliant and presentational issues are minimised.</li> <li>The Council should consider holding discussions with stakeholders to determine whether there is an appetite for extending the existing summary financial information to produce a more detailed annual report.</li> </ul>		

## Financial Management

How well does the council plan and manage its finances?

3

### Overview

The Council has maintained a sound financial management regime during 2005/06. We have rated the arrangements a '3' overall against the Audit Commission's criteria.

The Council has sound budget setting and monitoring procedures in place. Monitoring arrangements have been strengthened through the recent integration of financial and performance reporting.

We have highlighted areas for further improvement, based on the Audit Commission's criteria for best practice.

### Key Lines of Enquiry

- The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities
- The council manages performance against budgets
- The council manages its asset base

3

2

3

### Areas for Improvement

- The Council should consider extending the linkages made between budget monitoring and operational activity indicators that are lead indicators of spend.
- The Council could enhance its performance reporting on its asset base by evaluating, targeting and monitoring how investment in the use of assets contributes to the achievement of corporate and service objectives.

<b>Financial Standing</b> How well does the council safeguard its financial standing?		<div style="border: 1px solid black; padding: 5px; width: 30px; margin: 0 auto;">3</div>
<b>Overview</b> The overall core for this theme has improved from '2' to '3'. This is mainly due to improvements in the arrangements in place within the Council to monitor debt recovery and establish the cost of recovery action.		
<b>Key Lines of Enquiry</b> <ul style="list-style-type: none"> <li>The council manages its spending within the available resources</li> </ul>		3
<b>Areas for Improvement</b> <ul style="list-style-type: none"> <li>The Council could improve the presentation of its reporting arrangements in respect of of debt recovery and the costs associated with not recovering debt promptly.</li> </ul>		

## Internal Control

How well does the council's internal control environment enable it to manage its significant business risks?

3

### Overview

The Council has continued to maintain a sound internal control environment. As a consequence, the Council scored highly against the Internal Control KLoEs maintaining a score of '3'.

The overall arrangements have been strengthened in 2006 through the establishment of an Audit Committee which has a remit to scrutinise risk management processes and the internal control environment.

### Key Lines of Enquiry

- The council manages its significant business risks.
- The council has arrangements in place to maintain a sound system of internal control
- The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business

3

3

3

### Areas for Improvement

- The Council should continue to work with the County Durham and Darlington Civil Contingencies Unit to roll-out and embed business continuity plans across all services.



**Overview**

The Council continues to deliver low cost, high performance across a range of key services. However, there have been high profile issues in relation to the capital scheme for the Pedestrian Heart development which have led to overspends.

The Council has made significant progress in implementing the approaches to VfM which it outlined at audit in 2005. In particular, the street scene review has been completed. The methodology has been rolled out and, as a result, over £1m in savings have been included in the MTFP. The Council can demonstrate improvements to procurement for 2006 and consideration of VfM has been embedded within its processes through financial and performance management. An innovative approach to benchmarking and measuring performance management has recently been rolled out but is not yet fully embedded. The Council has identified the need to establish clearer information about equity in service delivery and this is being piloted through the street scene implementation.

**Key Lines of Enquiry**

- The council currently achieves good value for money
- The council manages and improves value for money

3

3

**Areas for Improvement**

- The Council should ensure it can evidence that the Annual Efficiency Statement has been signed off by the Leader, Chief Executive and s151 officer.
- The Council should continue to roll out its approach to measuring VfM and consider how it can embed this through the use of targets and reporting to drive further improvements.

*© 2006 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to the PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.*

*This proposal is protected under the copyright laws of the United Kingdom and other countries. It contains information that is proprietary and confidential to PricewaterhouseCoopers LLP, and shall not be disclosed outside the recipient's company or duplicated, used or disclosed in whole or in part by the recipient for any purpose other than to evaluate this proposal. Any other use or disclosure in whole or in part of this information without the express written permission of PricewaterhouseCoopers LLP is prohibited.*