

Darlington Borough Council

CPA Use of Resources – 2007 Assessment Results

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Dear Ada

CPA Use of Resources – 2007 Assessment Results

We are pleased to present the summary results of our 2007 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

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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 2007 assessment of Darlington Borough Council's Use of Resources in accordance with the methodology and guidance prescribed by the Audit Commission. This is the third year that the Council has been assessed in accordance with this methodology and compared to previous years a number of the criteria have been tightened and emboldened in 2007.

We have updated our understanding of the arrangements in place at the Council. We have focused on areas of where the criteria have been emboldened 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 relevant methodology and guidance and to promote consistency of assessment between appointed auditors.

The table in Section 1 summarises the results for 2006 and 2007. The tables in Section 2 set out the detailed results of the 2007 assessment and highlight 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

1, 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

Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07.

Section 1: Summary of results

Summary of results

The table below sets out the Council's 2007 and 2006 assessment results.

	2006	2007
Financial reporting		
1.1 Accounts compliant with standards	3	3
1.2 Promotes external accountability	3	3
Score for theme	3	3
Financial management		
2.1 MTFS delivers strategic priorities	3	3
2.2 Manages resources against budgets	2	3
2.3 Manages its asset base	3	3
Score for theme	3	3
Financial standing		
3.1 Manages spending within available resources	3	3
Score for theme	3	3
Internal control		
4.1 Manages significant business risks	3	4
4.2 Maintains a sound system of Internal control	3	3
4.3 Promotes and assures probity and propriety	3	3
Score for theme	3	3
Value for money		
5.1 Achieves value for money	3	4
5.2 Manages and improves value for money	3	3
Score for theme	3	4

In 2007, the Council maintained, and in some cases improved upon the scores obtained in 2006. Scores have improved against key lines of enquiry 2.2 (manages resources against budget), 4.1 (manages significant business risk) and 5.1 (achieves value for money). We wish to draw your attention to the scores of '4' for the last two of these. This represents levels of performance which are "well above minimum requirements – performing strongly". Note also that no scores have declined in 2007.

This represents significant progress against a background in which the Use of Resources requirements have become more stringent in 2007 through the introduction of new "must have" criteria across many of the key lines of enquiry.

Section 2: Detailed assessment results

Financial Reporting How good are the council's financial accounting and reporting arrangements?		3
Overview 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. Overall, the quality of the 2006/07 financial statements was consistent with standards set in the previous year and the Council maintained a score of '3'. The Council routinely complies with the Accounts and Audit Regulations (2003) and the relevant amendment orders in relation to external accountability.		
Key Lines of Enquiry <ul style="list-style-type: none"> The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers The Council promotes external accountability 		3 3
Areas for Improvement <ul style="list-style-type: none"> 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 2007/08 and for the implementation of International Financial Reporting Standards. Advance preparation will ensure that the accounts are fully SORP compliant and presentational issues are minimised. 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. 		

Financial Management

How well does the council plan and manage its finances?

3

Overview

The Council has maintained a sound financial management regime during 2006/07. We have rated the arrangements a '3' overall against the Audit Commission's criteria.

The Council's medium term financial plan is soundly based and designed to deliver its strategic priorities.

The Council is proactively managing performance against budget and are reporting in an integrated performance and finance report.

The Council manages its asset base effectively and ensures that its assets are utilised.

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

3

3

Areas for Improvement

- The Council should ensure that they are considering joint financial plans with partners and other stakeholders; as well as identifying and modelling future developments and balances/resource requirements.
- The Council should review the effectiveness and leadership of the Executive with regard to financial management. There are also improvements to be made in the reporting of financial monitoring processes, savings and efficiency gains.
- The Council could produce more effective performance measures in relation to their asset base and co-ordinate their asset management information with their financial information.

Financial Standing How well does the council safeguard its financial standing?		3
Overview We have rated the arrangements a '3' overall against the Audit Commission's criteria. The Council has strengthened its financial standing arrangements and regular review and monitoring of their budget ensures that overall spending is maintained within budget.		
Key Lines of Enquiry <ul style="list-style-type: none"> The council manages its spending within the available resources 		3
Areas for Improvement <ul style="list-style-type: none"> Members should engage fully in monitoring financial health indicators and ensure that they are setting challenging targets. Officers should monitor and report the cost of maintaining reserves and balances – including the costs of holding these above target levels. 		

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 an overall score of '3'.

Risk management has been further embedded in the corporate business processes at the Council and they identify positive as well as negative risks. The Council also has an Audit Committee in place to provide challenge and this will further strengthen the arrangements in place over the coming year.

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

4

3

3

Areas for Improvement

- The Council should further embed the assurance framework to ensure corporate involvement in the preparation of the Assurance Statement for 2007/08.
- The Council should continue to develop a strong counter fraud culture with staff clearly acknowledging their responsibilities.

Overview

The Council can demonstrate a clear improvement trend across most cost areas in terms of both performance / cost in both years since the baseline assessment in 2005. This from a baseline where costs were already low and performance among the best. Costs and performance both compare extremely favourably (below median cost / upper quartiles performance) with both the all unitary group and the near neighbour comparator groups. In comparison with previous years, the Council can demonstrate a process of decision making which led to this position.

In particular, the Council decided in 2005 whether it wanted to invest, maintain, withdraw or reduce in particular service areas and has delivered on these commitments in the following ways (for example):

- Reorganisation of street scene has delivered improved satisfaction levels with service and (from 07/08) cost reductions are in MTFP;
- Invest-to-save through prudential borrowing at the Dolphin Centre has increased throughput, satisfaction and increased income/reduced costs.

These and other scheme have allowed the Council to redirect money into social services to address emerging trends - their express intention is to increase spend to the median level for all unitary authorities.

Additionally, the Council is currently reviewing its administration arrangements and exploring a strategic partnership with Stockton Council. It has also invested in its procurement function in order to move from a “reactive” approach to a proactive approach based on analysis of spend. At the time of audit, these activities were ongoing but have clear targets for results.

Key Lines of Enquiry

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

4

3

Areas for Improvement

- We would recommend that the Council revisit its 2005 work to consider whether it has achieved all its objectives and to set additional, clear targets to achieve further improvement.
- Ensure that work on the administration review, the strategic partnership and procurement deliver benefits in terms of value for money.

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