

Annual Audit and Inspection Letter

Dover District Council

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Reference:	DO013 Annual Audit and Inspection Letter
Date:	December 2004

Executive summary

The purpose of this Letter

This is our audit and inspection 'Annual Letter' for Members for 2003/04, and is presented by the council's Relationship Manager and District Auditor. The Letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

We have issued separate reports during the year, listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection and Appendix 3 provides information about the fees charged. Appendix 4 is the statutory report on the 2004/05 Best Value Performance Plan (BVPP).

Key messages

Council performance

The council received a fair rating under the CPA assessment framework. The council has identified its improvement priorities in the light of the CPA findings and has produced an improvement plan based on three key issues; ambition and achievement, service delivery, and performance and cost. Members have allocated £1 million to invest in process re-engineering linked to enhanced service planning and the introduction of a customer care strategy. A comparison of performance information for a basket of services shows an improving trend in 2003/04.

More work is required to meet the Government's target of 100 per cent of services which are capable of electronic delivery being available by the end of 2005/06. This is covered in more detail on page 3.

Audit of 2003/04 accounts

We gave an unqualified opinion on the council's accounts on the 10 November 2004. However, budget monitoring failed to predict substantial surpluses on the General Fund and HRA during 2003/04. Officers have recognised this weakness and have improved budget monitoring procedures for 2004/05. A detailed review of the HRA business plan is underway and more detailed reporting on revenue and capital is planned for the third quarter's MIR.

Financial position

We are satisfied that the council has appropriate arrangements to maintain its financial standing. Income collection rates remained above the local average in 2003/04 and current forecasts indicate the council will marginally under spend its general fund expenditure budget in 2004/05.

Action needed by the council

- Continue to monitor the delivery of the improvement plan.
- Improve financial monitoring in the management information reports.

Council performance

The council received a fair rating under the CPA assessment framework. The council has identified its improvement priorities in the light of the CPA findings and has produced an improvement plan based on three key issues; ambition and achievement, service delivery, and performance and cost. Members have allocated £1 million to invest in process re-engineering linked to enhanced service planning and the introduction of a customer care strategy. A comparison of performance information for a basket of services shows an improving trend in 2003/04.

More work is required to meet the Government's target of 100 per cent of services which are capable of electronic delivery being available by the end of 2005/06.

CPA and improvement

In July 2004 the council was assessed as fair under the Comprehensive Performance Assessment (CPA) framework. The report recognised that the council has improved substantially in the last three years and is well placed to continue to improve. In summary, the assessment for Dover identified:

- the council's long-term vision and top priorities are starting to become clearer, but both generally and within many services greater clarity is needed;
- basic services remain average compared to other districts and many are improving only slowly. In some key services – housing management, benefit payments, some environmental services – performance remains relatively weak and general customer satisfaction needs to improve. But performance in planning is good and partnership working is helping reduce crime and address anti-social behaviour;
- the council is effectively led both politically and managerially; and
- the corporate management team is developing well and there is an increasing sense of strategic internal management. Staff morale is good, despite past difficulties, and a sense of enthusiasm and optimism among employees is evident.

The council has identified its improvement priorities and has produced an improvement plan based on three key issues; ambition and achievement, service delivery, and performance and cost. Members have allocated £1 million to invest in improving services which includes the planned introduction of a customer care strategy. As the improvement plan is relatively new (agreed in September 2004), we have not completed a formal assessment of progress this year. This will take place as part of the 2004/05 audit.

E-government implementation

The Government has set a target of 100 per cent of services which are capable of electronic delivery being available by the end of 2005/06. During the year we carried out a review of the council's progress towards achieving this target.

Progress has been made through the Kent Connects partnership and through the Information management group's work on records management. The authority has incorporated e-government within its planning processes, and work is underway to ensure e-government supports a stronger customer focus. An e-government strategy has been developed, and this is clearly linked to corporate strategy and planning. However, the strategy for e-government has not been translated into a change programme linking the full range of e-government projects. Further development of management arrangements and analysis of the resource implications of e-government are required. Further work is also needed to develop feedback mechanisms to review user satisfaction with ICT service delivery, and to strengthen IT security arrangements.

Performance information

We issued an unqualified opinion on your 2004/05 BVPP (Appendix 4) and concluded that your systems produce materially accurate performance indicators.

Exhibit 1 compares the 2003/04 outturn data of the council, for certain indicators, to performance in 2002/03. Using indicators that are directly comparable provides a valuable picture of the council's performance over the last year.

EXHIBIT 1: PERFORMANCE INDICATORS – MOVEMENTS BETWEEN 2002/03 AND 2003/04

Performance is improving in a majority of service areas

Status of indicators	Number of indicators
Improved	14
No change	2
Worsened	7

Source: BVPI Data.

Some areas showing an improvement in reported performance are:

- speed of processing housing benefit claims;
- sickness absence;
- percentage of rent collected;
- invoices paid within 30 working days;
- electronic interactions with the public;
- recycling, although from a low base; and
- percentage of standard searches carried out in ten days.

Some of the areas where performance has deteriorated are outside of the council's direct control, such as the level of domestic burglaries. Of the areas within the council's control there has been deterioration in reported performance in the:

- percentage of business rates collected;
- percentage of council tax collected, although both are still good; and
- accuracy of processing new housing benefit claims.

Accounts and governance

Audit of 2003/04 accounts

We gave an unqualified opinion on the council's accounts on the 10 November 2004. However, budget monitoring failed to predict substantial surpluses on the General Fund and HRA during 2003/04. Officers have recognised this weakness and have improved budget monitoring procedures for 2004/05. A detailed review of the HRA business plan is underway and more detailed reporting on revenue and capital is planned for the third quarter's MIR.

Matters arising from the final accounts audit

The published accounts are an essential means by which the council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the annual accounts on 21 July 2004, well in advance of government deadline of 31 August 2004.

The deadlines for approving accounts will become increasingly more difficult to achieve and will require early planning to achieve a deadline of the 30 June by the end of 2005/06. Nevertheless, the council is well placed to achieve this.

We are required by professional standards to report to those charged with governance (in this case the Scrutiny (Performance) Committee) certain matters before we give an opinion on the financial statements. This year's report to the meeting on 16 September confirmed the continued high standard of accounts production at Dover.

Financial standing

We are satisfied that the council has appropriate arrangements to maintain its financial standing. Income collection rates remained above the local average in 2003/04 and current forecasts indicate the council will marginally under spend its general fund expenditure budget in 2004/05.

General fund spending and balances

General fund balances stood at £2.5 million at 31 March 2004 with a further £4.4 million of earmarked revenue reserves. Net expenditure in 2003/04 was £14.7 million, some £1.4 million less than the revised budget. Budget monitoring failed to forecast the under spend which was mainly due to higher than anticipated income rather than lower expenditure. Officers have recognised the weaknesses in budget monitoring and have improved procedures for 2004/05.

Despite a slight fall, income collection rates remained above the local average during 2003/04. Revenue monitoring to the end of September 2004 indicates the council will under spend by nearly £180k in 2004/05, mainly as a result of higher than expected investment income and a refund of NNDR in respect of the White Cliffs Experience.

Housing Revenue Account

HRA balances stood at £3.6 million at 31 March 2004. There was a surplus of HRA income over expenditure of £665k in 2003/04, some £1.1 million better than budget.

Again, budget monitoring failed to predict the under spend and officers are currently undertaking a major review of the HRA Business Plan to gain a better projection of the year-end results for 2004/05.

Capital programme

The council spent £9.1 million on capital schemes in 2003/04, very close to the revised estimate of £8.7 million. A budget of £8.9 million has been agreed for 2004/05 and detailed monitoring information is planned to be part of the third quarter's Management Information Report (MIR).

Pensions fund deficit

Dover is part of the pension scheme administered by Kent County Council. Under FRS17 the council's share of the pension liability has been reported in the balance sheet for the first time this year. At 31 March 2004 the scheme's actuary estimated Dover's liability to be £26.6 million based on the last full valuation in March 2001. The scheme is re-valued every three years and an early indication from the valuation in March 2004 suggests the liability has increased. Contributions to the scheme will have to increase to address the pensions funding gap with effect from April 2005.

Systems of internal financial control

We have not identified any significant weaknesses in your systems of internal financial control.

Standards of financial conduct and the prevention and detection of fraud and corruption

We have not identified any significant weaknesses in your arrangements to prevent and detect fraud and corruption.

Legality of transactions

We have dealt with correspondence from local electors on:

- re-surfacing of a bus stop;
- the Dover Town Centre Management Company Ltd; and
- the licensing of Dover Taxi Cabs.

In each of these cases and in our other audit work we have not identified any significant weaknesses in the council's framework for ensuring the legality of its financial transaction.

Other work

Grant claims

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the council's control environment.

In general, the council's arrangements for managing and quality assuring grant claims submitted for audit are satisfactory and deadlines for submitting claims to grant paying bodies are being met.

National Fraud Initiative

The council took part in the Audit Commission's National Fraud Initiative (NFI) 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million, although no savings were identified at this authority.

The Commission are repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from authorities.

Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

Looking forwards

Future audit and inspection work

We have an agreed plan for 2004/05. We will seek to ensure, wherever possible, that our work relates to the improvement priorities of the council when planning our programme of work for 2005/06. We will seek to reconsider, with you, your improvement priorities in the light of the CPA assessment and your own analysis, and develop an agreed programme by 31 March 2005.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on corporate performance and financial management arrangements (rather than individual services and functions); and
- better and clearer reporting of the results of audits.

Further details will be provided in the Audit and Inspection Plan 2005/06.

Closing remarks

This Letter has been discussed and agreed with senior officers and leading Members. A copy of the Letter will be presented at the cabinet on 24 January 2005 and the Scrutiny Performance Committee on 27 January 2005.

The council has taken a positive and constructive approach to our audit and inspection and we would like to take this opportunity to express our appreciation for the council's assistance and co-operation.

Availability of this Letter

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



Darren Wells
District Auditor



Stephen Mead
Relationship Manager
December 2004

Status of our reports to the council

Our Annual Audit and Inspection Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual Audit and Inspection Letters are prepared by relationship managers and appointed auditors and addressed to Members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Audit and inspection reports issued

Reports issued	Date
Audit Plan (covered 2002/04)	March 2003
Interim Memorandum	March 2004
CPA Report	July 2004
SAS 610 Report	September 2004
Final Accounts Memorandum	July 2004
E-Government Follow-up	November 2004
Statutory BVPP Opinion	Attached as Appendix 4.

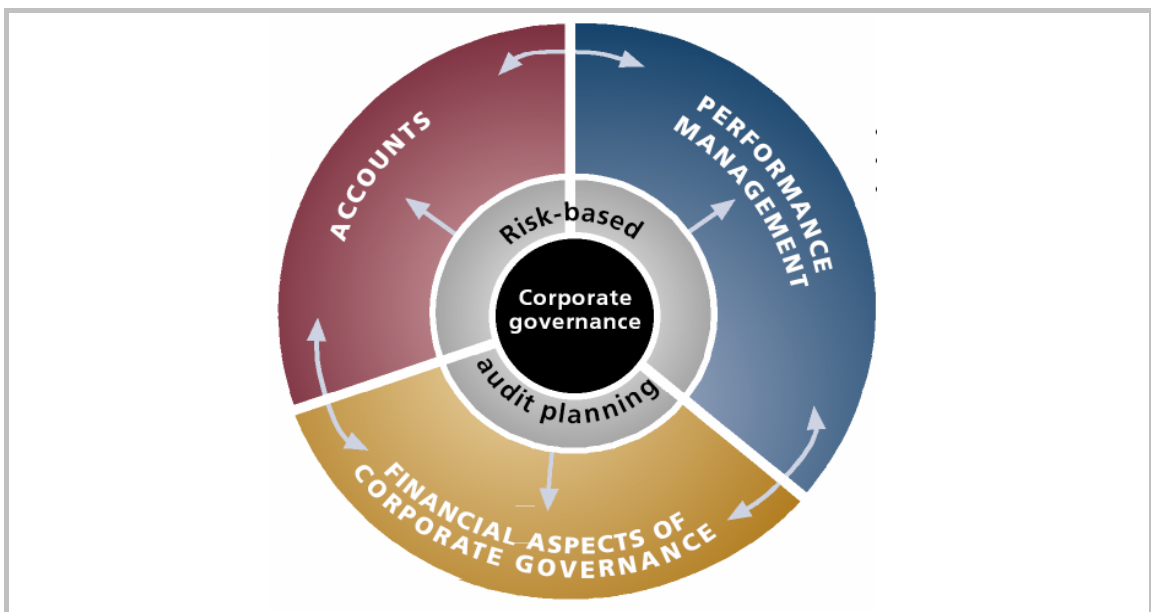
Scope of audit and inspection

Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 2.

EXHIBIT 2: THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the council and the public to judge whether best value is being delivered;
- enable the council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

Audit and inspection fee

Audit fee update

Audit area	Plan 2003/04	Actual 2003/04
Improvement	£35,200	£35,200
Assessment	£15,700	£15,700
Assurance:		
• Accounts	£35,500	£35,500
• Governance	£33,800	£33,800
• Use of resources	£22,100	£22,100
TOTAL CODE OF PRACTICE FEE	£142,300	£142,300
Grant claim certification	£41,000	£41,000
Additional voluntary work (under section 35)	0	0

Auditor's statutory report on the Best Value Performance Plan

Auditor's report to Dover District Council on its Best Value Performance Plan for 2004/05

Certificate

I certify that I have audited Dover District Council's Best Value Performance Plan in accordance with section 7 of the Local Government Act 1999 (the Act) and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

Respective responsibilities of the council and the auditor

Under the Act the council is required to prepare and publish a Best Value Performance Plan summarising the council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The council is responsible for the preparation of the Plan and for the information and assessments set out within it. The council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived. The form and content of the Best Value Performance Plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the council's auditor, I am required under section 7 of the Act to carry out an audit of the Best Value Performance Plan, to certify that I have done so, and:

- to report whether I believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements; and
- to recommend:
 - where appropriate, procedures to be followed in relation to the Plan;
 - whether the Audit Commission should carry out a best value inspection of the council under section 10 of the Act; and
 - whether the Secretary of State should give a direction under section 15 of the Act.

Opinion

Basis of this opinion

For the purpose of forming my opinion whether the Plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations, which I considered necessary in order to provide an opinion on whether the Plan has been prepared and published in accordance with statutory requirements.

In giving my opinion I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the council. My work therefore comprised a review and assessment of the Plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance.

Where I have qualified my audit opinion on the Plan I am required to recommend how the Plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

Opinion

In my opinion, Dover District Council has prepared and published its Best Value Performance Plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

Recommendations on referral to the Audit Commission/Secretary of State

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a best value inspection of the council or whether the Secretary of State should give a direction.

On the basis of my work:

- I do not recommend that the Audit Commission should carry out a best value inspection of Dover District Council under section 10 of the Act; and
- I do not recommend that the Secretary of State should give a direction under section 15 of the Act.



Darren Wells
District Auditor
December 2004