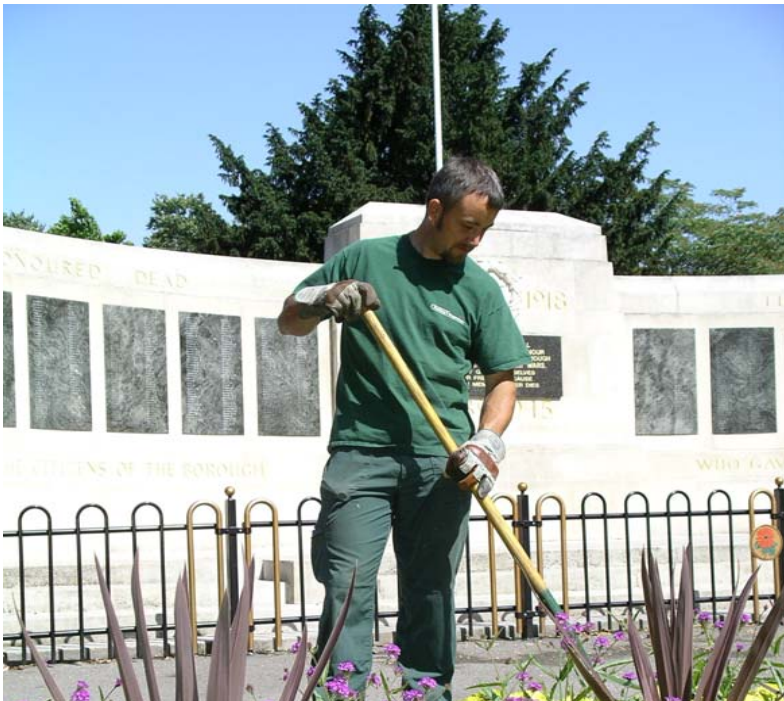


London Borough of Barking and Dagenham 2004/05 Joint Audit and Inspection Letter



The Members
London Borough of Barking and Dagenham
Civic Centre
Dagenham
Essex
RM10 7BY

December 2005

Ladies and Gentlemen

Joint Audit and Inspection Letter 2004/05

We are pleased to present our Joint Audit and Inspection Letter for 2004/05. We hope that the information contained in this report provides a useful source of reference for Members. The Audit Committee (the Corporate Monitoring Group) considered the Letter on 15 December 2005. We look forward to presenting it to you at the Assembly meeting on 4 January 2006.

Yours faithfully

PricewaterhouseCoopers LLP

Janette Whitfield

Audit Commission Relationship Manager

Encs

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7822 4652
Direct Phone 020 7804 3515

Contents

Executive summary.....	4
Accounts and Governance	7
Performance management	13
Inspection.....	20
Audit plan and fees update for 2004/05.....	21
Appendix A: Audit reports issued in relation to the 2004/05 financial year	22

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

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code), which was last issued in March 2002. This is supported by the Statement of Responsibilities of Auditors and Audited Bodies, which was last issued in April 2000. Both documents are 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 audit letters are prepared in the context of this statement and in accordance with the Code.

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. A new Code of Audit Practice is in place for the 2005/06 audit year, together with a new Statement of Responsibilities of Auditors and Audited Bodies, both of which were issued in March 2005.

Executive summary

The purpose of this report

We write to you each year, on completion of our audit, to summarise the more important issues that we wish to bring to your attention.

Joint Audit and Inspection Letter

The joint reporting of audit and inspection work in this format recognises the steps that the Audit Commission has taken to integrate audit and inspection regimes, whilst recognising and maintaining their separate statutory responsibilities. The Audit Commission has appointed 'relationship managers' for all local authorities to co-ordinate planning and delivery of inspection work alongside the statutory audit.

Our audit work during the year was performed in accordance with the plan that we presented to the Corporate Monitoring Group in April 2004 which was updated in April 2005. We issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate. A list of these reports is included at Appendix A to this letter.

There has been a reassignment of member portfolio roles with Councillor Wade appointed as Deputy Leader and Councillor Bramley taking over the finance portfolio. We look forward to working with these Members in their new roles and thank Councillor Geddes for his support over the past few years.

We have set out below what we consider to be the most important issues that we have discussed with you in the course of our work.

Performance Management

The Council has undergone a number of major changes during 2004/05. A key element of these changes was the appointment of a new Chief Executive. We look forward to continuing to work with Rob Whiteman and are keen to provide constructive challenge to the Council as it seeks to deliver its corporate priorities. There has also been a reassignment of portfolios to Councillors to strengthen and refocus governance arrangements and accountability between members and directors.

A series of changes at the Council are planned to bring renewed emphasis on ensuring quality service delivery and to raise customer satisfaction. There has been a large scale corporate project undertaken resulting in the formation of the customer contact centre, Barking and Dagenham Direct. We reviewed the e-government and Customer First programmes which confirmed there had been a positive impact upon customer access to services, although improvement could be made as this has yet to deliver transformational change to the Council.

It is important that going forward the Council ensures that the pace of change is coordinated, strategically managed and supported by the corporate services. We completed a review of the Council's Human Resources (HR) service and noted that despite improvements, there is a need to standardise procedures, strengthen the role of corporate HR and ensure costs are controlled. The Council has commenced an HR change process and has set up an HR and Organisational Development (OD) Board to oversee improvement in this area.

Inevitably as the progress of change accelerates the Council recognises that it is likely to be faced with a number of potential barriers, not least an element of cultural resistance. To ensure the impact of these is minimised Members and officers will need to be fully engaged within the process, and supportive of the aims and objectives.

The Council understands that the benefits associated with change will take some time to be realised. A number of additional structures and processes have been set up to support and drive change such as the creation of the Service and Financial Planning Board and the Equalities Board. Over the next financial year the operation of these boards will be fully established which should provide a greater indication of their effectiveness.

Alongside internal drivers for change there are also a number of complex external factors that the Council will need to address for example, responding to

the Government's children's services agenda. This is requiring closer working between the education and social services, and will result in the appointment of a Director of Children's Services from 1 April 2006.

The Council is actively shifting resources to target improvement and considerable success has been achieved, for example within Housing Benefits where a change programme has been implemented following the BFI inspection. Strong improvement has also been demonstrated within Education and the gap between local performance and the national average is closing. However, it is disappointing that increased resources directed towards children's social services has yet to raise performance, with the recent inspection awarding 1 star and uncertain prospects.

Increasingly, the Council is looking towards improving and demonstrating Value for Money (VFM) from its services and a number of structures have been put in place to support this activity, such as creation of the Efficiency Board. The Council needs to continue to work on the level of involvement of members, particularly on providing challenge to the efficiency and value for money agenda.

We have undertaken a range of tailored reviews in 2004/05. Each has resulted in a number of recommendations, which have formed the basis of action plans. Information on these is contained in our section on Performance Management.

Accounts and Governance

We are pleased to note that the Council has made progress in developing risk management, for example senior managers and members have received training in this area and both strategic and operational registers have now been completed. However, as detailed in the Statement on Internal Control the Council accepts that further work is required given that risk management is not yet embedded into the decision making processes of the Council.

The Council continues to benefit from a healthy reserves balance and we are pleased to note that the level of reserves is reviewed on an annual basis as detailed in the Council's Medium Term Financial Strategy.

In last year's Letter we reported that some difficulties were encountered over the operation of the Oracle financial system, such as problems in reconciling Oracle with the cash management system. It is good to report that from the second half of 2004/05 procedures were put into place to ensure that reconciliations were undertaken on a daily basis. The challenge for the Council now is to ensure that

it achieves full functionality from the system. We will perform a follow up study in this area as part of our 2005/06 programme of work.

We have completed our assessment of the Council's Use of Resources in accordance with the methodology and guidance prescribed by the Audit Commission. We scored the Council as adequate overall. The Council appealed against 3 areas of our scoring and, as a result, we have agreed to amend the scores in 2 of those areas. The overall score of adequate remained unaffected.

We issued an unqualified audit opinion on the Statement of Accounts before the 31 October 2005 publication deadline and would like to express our thanks to officers for their assistance with our audit work.

Inspection

Improved service outcomes in corporate priorities have been achieved, some from a low base. Over 75 per cent of core service indicators have improved since 2002/03 but some services require further improvement to meet community expectations. Areas of particular public concern such as crime, clean streets and street repairs are being targeted through the Council's Local Partnership Service Agreement. The Council works well with its partners. There is recognition of the Borough's growing diverse communities and the Council is encouraging community inclusion through on-going major investment to further improve access, service quality and outcomes for the most vulnerable. The Council achieved corporate Investors In People accreditation during 2005. The established performance reporting culture has ensured a focus on areas of weakness and ambitious key strategic plans are supported by robust action plans. Processes to enhance improved value for money have been established but have not yet demonstrated significant improvements, but the Council is in a good position to continue their positive service improvement trend.

We discussed the issues contained within this Joint Audit and Inspection Letter with the Audit Committee on 15 December 2005.