

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

London Borough of Barking and Dagenham

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

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Key messages

- 1 The main messages for the Council included in this report are:
 - the Council is a three star authority and continues to improve well;
 - your auditor issued an unqualified opinion on the Council's 2006/07 accounts and an unqualified value for money conclusion;
 - your corporate assessment concluded that the Council was performing well; and
 - improvements in the quality of services for children and young people and for housing are happening at a slower rate than in other services.

Action needed by the Council

- 2 The Council should:
 - ensure appropriate investment is made in services for children and young people and in housing to secure the improvements needed;
 - implement the recommendations included in the corporate assessment report; and
 - continue to strengthen its arrangements for the effective use of resources.

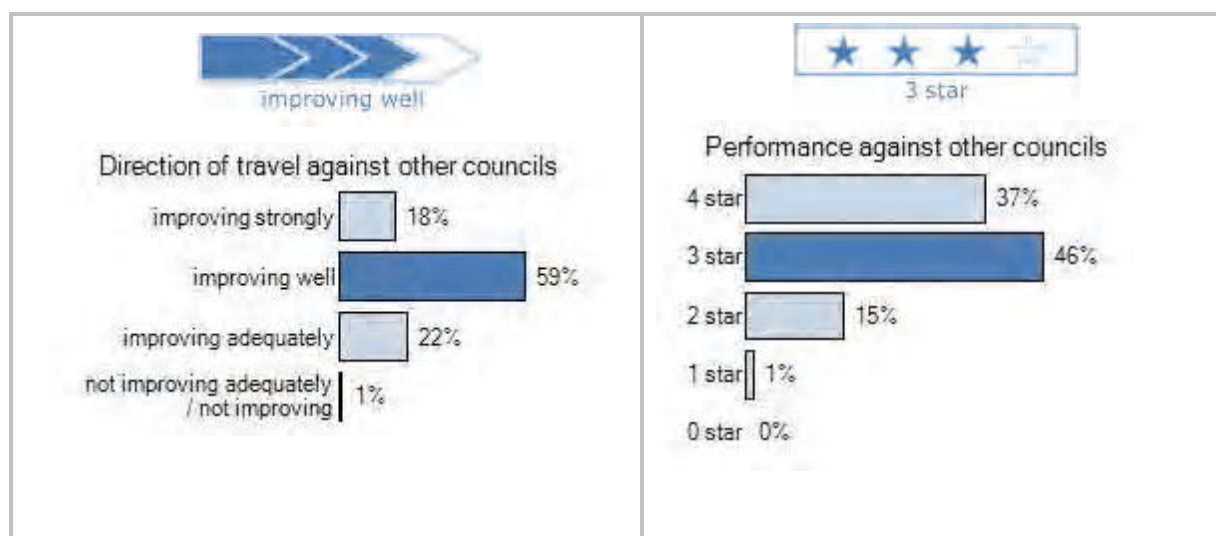
Purpose, responsibilities and scope

- 3 This letter 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. It also includes the results of the most recent corporate assessment.
- 4 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.
- 5 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. In addition the Council is planning to publish it on its website.
- 6 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.
- 7 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.
- 8 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 Barking and Dagenham Council performing?

- 9 The Audit Commission's overall judgement is that Barking and Dagenham Council is improving well and we have classified Barking and Dagenham Council as three-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



Source: Audit Commission

- 10 The detailed assessment for Barking and Dagenham Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 star
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	2 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	3 out of 4

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

The improvement since last year - our Direction of Travel report

- 11 Barking and Dagenham Council is improving well. Progress over the last year is good with the improvement of performance indicators in the top third in London. Residents recognise this improvement, as evidenced by substantial increases in satisfaction with priority services such as waste and recycling, public open spaces, libraries and transport. Adult social care services continue to progress well. However, assessments of housing services and those for children and young people show improvement happening at a slower rate.
- 12 Delivery against the council's aim of building communities and transforming lives is becoming evident. The first phase of the Dagenham Dock scheme, which has generated over 1000 jobs, has been completed. Improvements have been made to customer access, which have been well received by local people. The Barking Learning Centre, incorporating the first one stop shop, opened in the summer and services available through Barking and Dagenham Direct have been extended.
- 13 The Council has robust plans for improving further and service planning has been strengthened to embed the focus on value for money. Effective work with partner organisations has enhanced the capacity of the council to deliver its plans.

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- 14 Our corporate assessment work found the Council to be performing well. The Council's seven community priorities are clear and give a focus to the ambition which is that: 'together we will build communities and transform lives'. They reflect national priorities and address the most pressing concerns for local people, namely crime, housing, improving skills and job prospects. The Council's approach to equality and diversity supports its ambitions for community cohesion.
- 15 Access to services is good overall and significant improvements have been made in this area over the past three years through initiatives such as the 'Tell Us' campaign and 'Done in One'.
- 16 The Council demonstrates effective community leadership through the Chief Executive, officers and in its partnership working, for example in the development of a community development trust in Barking Riverside. Scrutiny generally works well and the Council is now extending its focus to enable involvement of the wider community.
- 17 There is a well established approach to performance management and the Council has been successful in instilling the right culture and values so that it is at the heart of decision making. The Council now needs to focus on delivering wider community outcomes in respect of local priorities such as skills, access to employment and housing. The Council needs to sharpen its approach to prioritisation as it seeks to deliver its ambitious agenda for revitalisation of the borough.
- 18 We made a number of recommendations and in particular that:
 - the role of councillors, in particular in relation to community leadership, requires further development;
 - the Council needs to take a more strategic and co-ordinated approach to the development of its policy framework; and
 - the Council needs to strengthen its approach to communication. In particular, improving the way in which it communicates its successes and plans for the future.

Service inspections

- 19 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.

Benefit Fraud Inspectorate (BFI)

- 20 BFI assessed the Council as providing a good service. Although aspects of performance on claims administration deteriorated during 2006/07, this was due to the introduction of a new benefits system, which meant that the council was unable to process claims for four weeks. The Council took steps to minimise the impact of this change. These included taking on temporary staff and manually pre-assessing cases whilst the system was closed down. The implementation of the new system went smoothly and data for the final quarter of 2006/07 showed that performance was improving again.

Ofsted

- 21 Ofsted assessed the Council's services for Children and Young people as level 2 (out of 4). The Council and its partners provide adequate outcomes for the children and young people of Barking and Dagenham. Achievements at GCSE and A levels are improving but are still below the national average. The number of children and young people not in employment, education or training in Barking and Dagenham is too high though this number is declining. Retention rates on post 16 courses are poor, which suggests that young people may not be getting correct advice.
- 22 Outcomes for looked after children are good but the needs of children and young people with learning difficulties and or disabilities are not yet effectively addressed. In particular, there are few opportunities for them to be involved in decision making and too many of them become without employment, education or training when they leave school. The looked after children health education service team provides a good service to support the health and education of looked after children and outcomes in both these areas have significantly improved.
- 23 Most children are healthy and many health outcomes are in line with comparator groups. However, rates of teenage pregnancy, though reducing, remain high and there is a high incidence of oral decay amongst the child population.
- 24 Early years provision is good and there has been an increase in the amount of childcare places available. Provision for children out of school is improving but there is not yet an effective arrangement for the reintegration of excluded pupils.

Commission for Social Care Inspection (CSCI)

- 25 The Council's services for adult social care have been assessed by CSCI as having good outcomes and excellent prospects for improvement. The Council was awarded the maximum 3 star rating overall. Strengths existed in the following areas:
- active promotion of health and well being, including a range of leisure activities and exercise classes on prescription;
 - for older people a variety of health promotion initiatives, including leisure and exercise classes and an award winning 'garden shed' project;

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- for people with learning disabilities an effective partnership board, co-chaired by users; and
- for mental health service users an innovative range of services to promote well being, such as self help books on prescription.

26 There are still some further improvements needed in the following areas:

- continue to reduce delayed transfers of care;
- increase extra care sheltered housing for older people; and
- reduce waiting times for major adaptations.

The audit of the accounts and value for money

- 27** Your appointed auditor 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 and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 28** 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); and
 - value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 29** 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	4 out of 4
Internal control	3 out of 4
Value for money	3 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

Accounts

- 30 Audit working papers were of a good standard, audit queries were generally addressed promptly and the draft financial statements submitted for audit were of a good standard. There were some errors in the accounts, but the majority were trivial. Your auditors made a number of recommendations to improve accounting systems further and these were largely concerned with improving reconciliations between systems.

Use of resources

- 31 The 2007 key lines of enquiry raised the standard required for level 2 and level 3 assessments. Your auditor found that the Council had responded well to these new requirements. At the same time, the Council has consolidated and continued to embed the arrangements put in place in 2006 and is now in a stronger position than last year. Further improvements have been implemented during 2006/07, although the impact and outcome of all of these actions will not be fully realised until 2007/08 onwards. Moving forward, key areas for the Council to focus on include:

- ensuring the evidence that the MTFS has been agreed with partners is robust;
- using the CIPFA financial management model to develop a training programme;
- ensuring that the processes that will support the annual governance statement are sufficiently embedded; and
- continuing work to embed arrangements for delivering VFM, including closer links between reports on costing and performance.

Data Quality

- 32 Your auditors performed a spot check on 15 performance indicators produced by the Council. The results of this exercise were positive as none of the indicators required any amendment. These findings echoed the auditors overall assessment of the data quality arrangements which concluded that the Council had reached level 4 'Performing strongly' and that 'a review of the arrangements highlighted that policies and procedures are very strong and the arrangements in place for performance management are proactive and robust'.
- 33 This is a significant improvement from the previous year and results from the Council implementing a number of changes in its approach to collating and validating performance data.

National Fraud Initiative (NFI)

- 34** The NFI is a computerised data matching exercise designed to identify overpayments to suppliers and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007. The Council has been proactive in reviewing the output from NFI. Internal Audit co-ordinates the follow-up of matches, which is undertaken by the responsible department, for example, council tax and payroll. As at the end of December 2007, the Council had identified over £36,000 of potential savings arising from the exercise.

Grants

- 35** Due to an increase in the financial thresholds above which grant claims and returns require an audit certificate, the number of grants audited reduced to 18 this year. The audit fee for this work was £83,000, a reduction of £73,000 from the previous year's fee.

Looking ahead

- 36 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.
- 37 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.
- 38 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

- 39 This letter has been discussed and agreed with the Chief Executive and Director of Resources. A copy of the letter will be presented at the Audit Committee on 16 April and the Executive on 22 April 2008. Copies need to be provided to all Council members.
- 40 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.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	April 2006
Corporate assessment	July 2007
Annual governance report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Best value performance plan	December 2007
Annual audit and inspection letter	February 2008

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

Availability of this letter

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

Jon Hayes
Relationship Manager

March 2008