

Annual Audit and Inspection Letter

Haringey London Borough Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Our overall summary	4
Action needed by the Council	4
How is the Council performing?	5
The improvement since last year - our direction of travel report	6
Corporate assessment	6
Service inspections	7
Financial management and value for money	8
Other use of resources work	11
Conclusion	14
Availability of this letter	15

Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from:
 - the audit of the Council;
 - the corporate assessment undertaken in June 2006;
 - inspections that have been undertaken in the last year; and
 - a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The letter is addressed to the Council. It has, in particular, been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The letter's main messages are:
 - the Council is improving well and has been assessed as a three-star authority under the CPA framework;
 - the Council received an unqualified opinion on its 2005/06 financial statements; and
 - the Council received an unqualified conclusion on its arrangements for securing value for money during 2005/06.

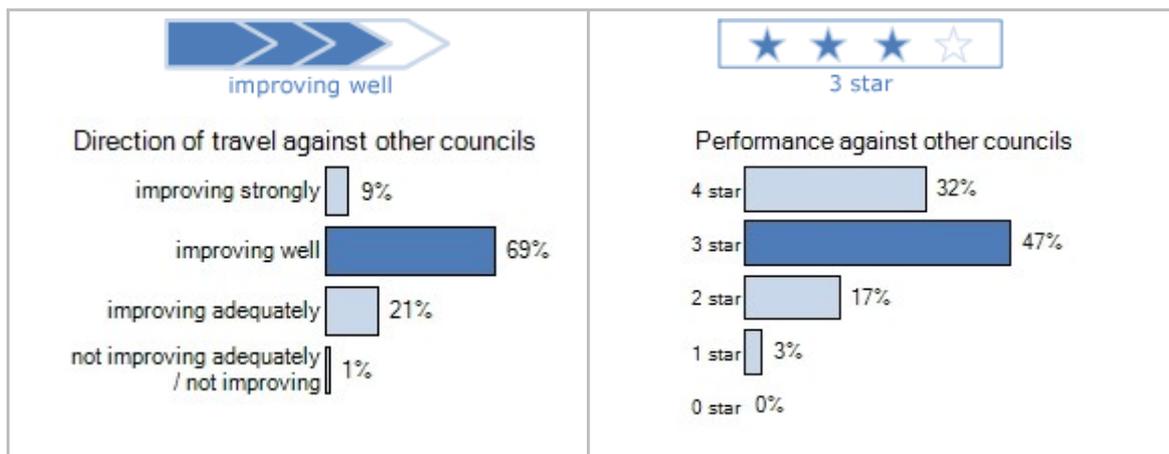
Action needed by the Council

- 4 The Council needs to:
 - improve social services for adults, in particular to support better adults with mental health problems;
 - develop further its approach to tackling homelessness and regenerating the borough;
 - continue to enhance risk management across the Council and its partnerships;
 - continue to implement its action plan to improve the project and financial management of major projects; and
 - embed the improved arrangements for securing value for money Council-wide.

How is the Council performing?

- 5 The Audit Commission's overall judgement is that the Council is improving well. The Council has been classified as a three-star authority in terms of its current level of performance under the CPA framework. These assessments have been completed in all single tier and county councils with the following results.

Table 1 CPA results for single tier and county councils



Source: Audit Commission

- 6 The detailed assessment of the Council is as follows.

Table 2 CPA scorecard

Element	Assessment 2005	Assessment 2006	Change
Direction of travel judgement	Improving well	Improving well	-
Overall	3 star	3 star	-
<u>Current performance</u>	(out of 4)	(out of 4)	
Children and young people	3	3	-
Social care (adults)	3	2	↓
Use of resources	3	3	-
Housing	2	3	↑
Environment	2	3	↑
Culture	3	3	-
Benefits	3	3	-
Corporate assessment/ capacity to improve	2	3	↑

(Note: 1= lowest, 4= highest)

The improvement since last year - our direction of travel report

- 7 The Council has made good progress in its priority areas of children and young people, community safety, environment, planning and housing services. Two-thirds of key service indicators have improved. The Council works well in partnership and has a track record of delivering improvements, for example in tackling crime and anti-social behaviour. Improvements to the local environment are significant, with increased recycling and more effective removal of abandoned vehicles and graffiti. Community cohesion, user focus and diversity are strengths. The Council has increased its focus on delivering value for money and has improved business planning and financial and performance management. Competing demands are balanced effectively. Resources are targeted to priorities and reflect local demographic challenges. Performance in social services for adults has, however, weakened. More work is required to support those with mental health problems and patients who can be discharged from hospital. The Council acknowledges that more progress is needed in tackling homelessness and regeneration. Plans are in place to address these gaps in services. The Council is well placed to continue to improve the services it delivers to local people.

Corporate assessment

- 8 During 2006, the Audit Commission carried out a corporate assessment under the revised CPA framework. The purpose was to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others and ensures continuous improvement across the range of Council activities.
- 9 The assessment concluded that rapid progress has been made in improving services over the past five years. This has been delivered within a complex and challenging borough where competing demands have been prioritised effectively. The Council is now starting to reap the rewards of its hard work. The above direction of travel report draws on the findings of the corporate assessment.
- 10 Our detailed findings and recommendations were published in October 2006. The Council is taking forward the recommendations made and integrating the actions arising into its improvement planning processes, including:
- improving further joint working with partners, using the Local Area Agreement as a catalyst;
 - developing an overarching approach to regeneration;
 - developing an overarching strategy for improving the health of the locality; and
 - using better its investment in customer services and ICT.

Service inspections

- 11 The Audit Commission reported the findings of the inspection of the Supporting People programme administered by the Council in February 2007. The service received a two-star assessment (out of a possible three stars) because the programme is delivering a number of positive outcomes for service users. New services have been commissioned and re-shaped that are offering more choice for residents, the quality of services is good and people who use the services have opportunities to become involved at a local level.
- 12 The Council works in partnership with key stakeholders in delivering a service that is addressing the needs of the most vulnerable in the borough. There is a clear vision of commissioning, procurement and delivery quality that has led to engagement with the diverse communities in the borough. There is scope and the capacity for further improvements that has been recognised by the Council and work is in place to ensure continuous progress in delivering positive outcomes for local people.

Financial management and value for money

- 13 We reported the findings of the 2005/06 audit in the annual governance report that was presented to the General Purposes Committee on 25 September 2006. The report summarised the key issues arising from both the audit of the financial statements and the assessment of the Council's arrangements for securing value for money. These issues are also highlighted in this letter where appropriate. Following the presentation of the report, we issued an unqualified opinion on the financial statements and an unqualified conclusion on the arrangements for securing value for money on 20 October 2006.
- 14 Once the opinion and conclusion have been issued, auditors also move to certify formally the completion of the audit. The audits for 2004/05 and 2005/06 cannot be certified formally until we have completed our consideration of an objection received. Table 3 provides an update on the current status on our consideration of the more significant matters raised with us by members of the public, including this objection.

Table 3 Status of issues raised

Issue	Status
Coroners' expenditure	An objection was accepted in May 2006 to the 2004/05 accounts in respect of the systems in use to monitor and scrutinise expenditure by the Coroner's service. Testing of the systems for authorising and recording Coroner's expenditure is being undertaken by Internal Audit to assist us to form a view on the effectiveness of the procedures in place. The work has now been broadly concluded and we understand that Internal Audit's report will be finalised by the end of March 2007. We will thereafter progress our consideration of the objection.
NDC expenditure	A number of matters have been drawn to our attention with regard to the governance of the Bridge NDC. We have considered the matters raised having regard to our responsibilities. We have identified no illegality or misuse of public funds, although recommendations have been made for improvements to governance arrangements.

- 15 The audit of grant claims submitted by the Council is undertaken in accordance with instructions from government departments. The largest of these is the housing benefit claim, with a value of some £224m. The Council needs to continue to improve the working papers and audit trail to support the entries in its claims to facilitate the certification process.

Use of resources assessment

- 16 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 five themes, as set out in Table 4.

Table 4 Use of resources assessment

Theme	Assessment (out of 4) 2005	Assessment (out of 4) 2006	Change
Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public)	3	3	-
Financial management (including how the financial management is integrated with strategy to support Council priorities)	3	3	-
Financial standing (including the strength of the Council's financial position)	3	3	-
Internal control (including how effectively the Council maintains proper stewardship and control of its finances)	2	3	↑
Value for money (including an assessment of how well the Council balances the costs and quality of services)	2	3	↑
Overall use of resources	3	3	-

(Note: 1= lowest, 4= highest)

- 17 The key issues arising from the audit, as shown in the judgements above, were set out in our use of resources judgements report. Improvements have been evidenced in the Council's internal control arrangements, particularly on its approach to risk management, and its arrangements for securing value for money, in particular in demonstrating its understanding of its high-cost areas and their relationship with the Council's priorities and service performance. This is reflected in improved scores for both these themes.
- 18 Our report highlighted a number of areas for further improvement. The most significant improvement opportunities are set out in Table 5 below.

Table 5 Use of resources improvement opportunities

Element	Improvement opportunities
Financial reporting	Review closedown processes so that submission deadlines are met and, where required, working papers are improved.
Internal control	Continue to embed risk management across the Council and its partnerships and, in particular, continue to build on the Tech Refresh action plan in the context of the Council's wider project management arrangements (see 'other use of resources work' below).
Value for money	Continue to focus on high-cost areas and embed the culture of challenge for value for money Council-wide.

Financial standing

- 19 The Acting Director of Finance reports monthly to the Executive on financial monitoring. The report to the February 2007 Executive for the period ended 31 December 2006 shows a projected balanced revenue outturn for 2006/07. The same meeting received the proposed budget plans for 2007/08 to 2010/11. These highlight a balanced overall position for 2007/08, although pressures are continuing into the medium to longer-term. The Council should therefore continue to maintain tight budgetary control to deliver financial balance for 2006/07 and the medium to longer-term.

Other use of resources work

- 20** In January 2006, we reported the findings of our review of the Council's arrangements for managing its Tech Refresh project, a major IT infrastructure upgrade. We made a number of key recommendations, reflecting the need for:
- improved processes for setting and managing project budgets, and ensuring that financial reporting is transparent; and
 - more effective project management in terms of providing both challenge and assurance, and maintaining a clear audit trail to support decisions made.
- 21** The Council presented its response to our review in a report to the Executive in February 2006, which included a detailed action plan setting out new arrangements for programme and project management. We have undertaken an initial assessment of the Council's action plan. We concluded that a robust framework for project management has been introduced and clear lines of accountability and responsibility now exist.
- 22** To confirm its application in practice and the wider roll out of learning, we have reviewed key project documentation and recent Internal Audit work relating to the Council's IT insourcing project, a major project that has followed on from Tech Refresh. Our work has confirmed that progress has been made. There is scope for further improvement, for example through the review and update of budgets on an ongoing basis, in particular for slippage, and by setting budgets against the key deliverables within major projects.
- 23** We also issued reports on the Council's arrangements for setting high ethical standards and governance in partnerships. In addition, at the request of the Council, we undertook voluntary improvement work in the housing service, to assist the Council to address aspects of the service in advance of the establishment of the ALMO (Homes for Haringey with effect from 1 April 2006). Table 6 below sets out the key issues arising from these pieces of work.

Table 6 Key issues from other use of resources work

Area	Key issues
Setting high ethical standards	<p>There have been significant improvements over the last two years in the arrangements for promoting high ethical standards. In particular:</p> <ul style="list-style-type: none"> • there are positive role models in senior councillors and officers; • strong ethical governance is seen as a key component driving improvement; and • the Code of Conduct is understood by councillors, although more needs to be done to ensure compliance, particularly in terms of registering and declaring personal and prejudicial interests.
Governance in partnerships, focusing on Safer Communities and the Bernie Grant Centre	<p>The Safer Communities Partnership (a statutory partnership) is working well, but there is scope to improve its performance and governance. Risk management arrangements are an area for development for both the partnership and the Council.</p> <p>The Bernie Grant Centre Partnership (a non-statutory partnership) is evolving with the Council's support from a construction project into an arts and enterprise centre. Partnership arrangements, in particular risk management, need to be developed further in response.</p>
Aspects of the housing service	<p>Services reviewed were selected by the Council on the basis that they represented known areas of weakness. As such, some significant weaknesses were identified, in particular with regard to the allocations and lettings service. The results of the work were reported in May 2006 and a number of actions were established by the Council in response in order to:</p> <ul style="list-style-type: none"> • review and update the allocations policy; • improve processes for administering the waiting list, assessing need and allocating homes; and • improve partnerships with housing associations. <p>In particular, the Council approved a new lettings policy in September 2006. We will revisit the allocations and lettings service to assess progress later in 2007.</p>

- 24 We have also issued an unqualified report on the Council's 2006/07 best value performance plan (BVPP). This included a review of the Council's arrangements for producing and using performance indicators and an audit of a sample of performance indicators as specified by the Audit Commission. There are no matters arising that require reporting in this letter.

Conclusion

- 25 This letter has been discussed and agreed with the Chief Executive and Leader. The letter will be presented to the Executive on 24 April 2007.
- 26 Further detailed findings, conclusions and recommendations on the areas covered by this year's work are included in the reports issued to the Council during the year. Table 7 highlights the reports issued since March 2006, the date of our last annual audit and inspection letter.

Table 7 Reporting

Report	Date of issue
Audit and inspection plan 2006/07	April 2006
Setting high ethical standards	May 2006
Aspects of the housing service	May 2006
Annual governance report 2005/06	September 2006
Opinion on the financial statements 2005/06	October 2006
Value for money conclusion 2005/06	October 2006
Corporate assessment	October 2006
Use of resources judgements 2006	December 2006
BVPP report 2006/07	December 2006
Governance in partnerships	January 2007
Opinion audit summary report 2005/06	February 2007
Grants report	February 2007
Supporting people	February 2007
Direction of travel report	February 2007
CPA scorecard	February 2007

- 27 The outturn fee is set out in Table 8 overleaf. This shows a total audit and inspection fee for 2005/06 of £536,000, in line with the planned fee. This compares to a 2004/05 total fee on £590,000.

Table 8 Fee update

Audit area	Plan 2005/06 £	Actual 2005/06 £
Accounts	316,000	316,000
Use of resources	131,000	131,000
Total audit fee	447,000	447,000
Inspection	89,000	89,000
Total audit and inspection fee*	536,000	536,000
Grant claim certification** (estimated outturn)	125,000	185,000
Voluntary improvement work (aspects of the housing service)	-	50,400

* Work on the objection referred to in Table 3 is charged separately; the fee to date is £3,615.

** Actual costs compare to £197,000 (2003/04) and £152,000 (2004/05). We are continuing to work with officers to reduce the costs of grant claim certification work further.

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

Availability of this letter

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

Michael Haworth-Maden
Relationship Manager