

ST&CC Annual Audit and Inspection Letter

March 2007



# **Annual Audit and Inspection Letter**

**Brent 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.

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# Contents

<b>Our overall summary</b>	<b>4</b>
Action needed by the Council	4
<b>How is Brent Council performing?</b>	<b>6</b>
The improvement since last year - our Direction of Travel report	7
Corporate Assessment	8
Service inspections	9
<b>Financial management and value for money</b>	<b>11</b>
<b>Conclusion</b>	<b>15</b>
Availability of this letter	15

## Our overall summary

- 1 This report 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 and from the Corporate Assessment undertaken in the last year and from 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 report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
  - the Council is performing well overall and has made improvements in key priority areas;
  - customer satisfaction with the Council has improved overall;
  - the Council faces challenges in housing benefits and highways maintenance;
  - the Council delivers good value for money;
  - the Council's capacity to deliver its plans has been enhanced by improvements in performance management and target setting;
  - further work is still required in order to embed risk management across the whole organisation; and
  - the Council needs to address its debt management approach as noted by the external auditors.

## Action needed by the Council

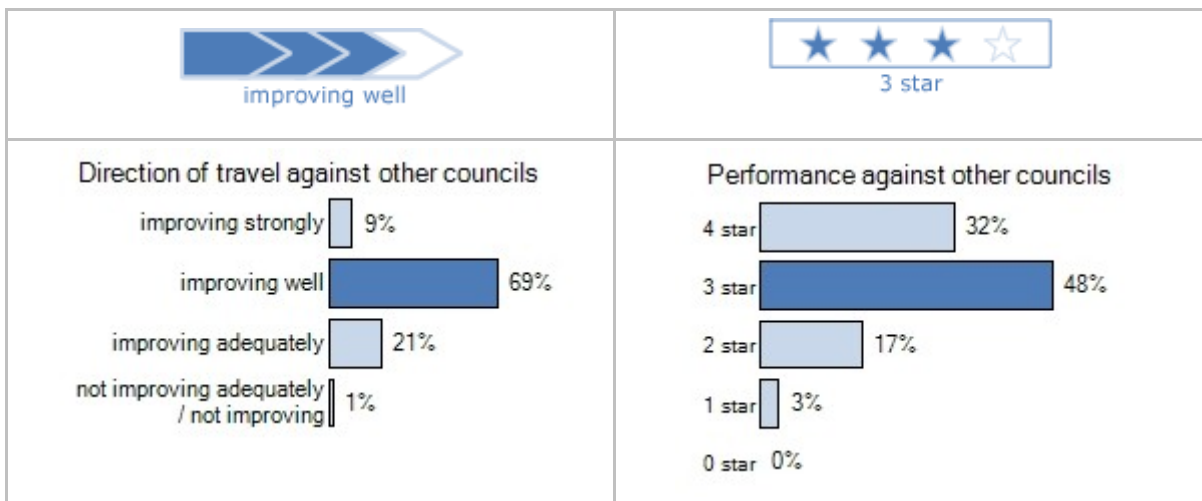
- 4 Further improve key services such as housing benefits and adult social care.
- 5 Work effectively with the new waste management contractors to ensure that the improvements agreed (as part of the contract) are delivered.
- 6 Continue to focus on strategic human resource management to maintain the improvements achieved and being sought in this area.
- 7 Financial standing – the Council must ensure that its working balances at 31 March 2007 are at an appropriate level to enable effective medium term financial planning.
- 8 Key Use of Resources actions for the Council are as follows.
  - Ensuring that internal debtors and creditors are eliminated from the final draft financial statements.
  - Introduction of balance sheet monitoring into Financial Management.

- The new performance management system needs to link finance with strategic policy objectives.
- Further embedding risk management across the whole organisation; including training for non Executive members and more robust risk management of partnerships.
- Implementation of the corporate debt recovery action plan recommendations by 31 March 2007.
- The Council should continue to focus on reducing costs and improving performance in environment and highways services.

## How is Brent Council performing?

- 9 The Audit Commission’s overall judgement is that Brent Council is improving well and we have classified Brent 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.

**Table 1**



Source: Audit Commission

- 10 The detailed assessment for Brent Council is as follows.

### Our overall assessment - the CPA scorecard

**Table 2 CPA scorecard**

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

(Note: 1 = lowest, 4 = highest)

### The improvement since last year - our Direction of Travel report

- 11 The Council continues to deliver improvements in priority areas such as: crime, street cleanliness and activities for young people. Housing management is a key strength and the provision of affordable housing continues to increase. Over three-quarters of the key performance indicators have improved which is above the national average. Customer satisfaction with the Council overall has improved. Crime overall has fallen but increases are evident in robberies. Regeneration programmes have been successful in promoting employment opportunities and improving the health of the community, particularly in disadvantaged neighbourhoods. The Council faces challenges in housing benefits and highways maintenance and is taking the appropriate steps to address these. The Council delivers good value for money. Robust plans based upon good community level information help to ensure resources address priorities. The Council's capacity to deliver its plans has been enhanced by improvements in performance management and target setting and successfully implemented efficiency measures. This is supported by the continued focus on improving the Council's strategic approach to human resource management. The Council is well placed to continue to deliver improvements for local people.

## Corporate Assessment

- 12 The Corporate Assessment report published in April 2006 noted some of the Council's considerable strengths and in summary found the Council to be ambitious, and working hard to improve the quality of life for all its residents. It is realistic that it will take time to deliver the improvements communities' desire, but well-founded plans in areas such as regeneration add substance to ambitions. The Council is improving services well and consistently across many priority areas. Challenges remain to continue to improve the life chances for those in the most deprived neighbourhoods.
- 13 The Council's capacity to deliver its ambitions is generally good. Spending decisions match priorities and are supported by robust financial management. Although in some areas plans are not underpinned by clear short, medium and longer-term priorities and this limits their clarity. Recent improvements in human resource (HR) management are encouraging, but gaps in strategic HR and workforce planning and development make it difficult to support organisational change.
- 14 There is a good focus on users and equality. The Council supports local democracy and makes decisions based on good community intelligence. Good use is made of area consultative and service user forums, but there is scope to further improve local area consultation.
- 15 The Council's approach to achieving value for money is a strength. It has successfully targeted investment in poorly performing services and has achieved notable improvements in service performance and outcomes as a result. The improvement in service performance has been achieved whilst maintaining relatively low costs and council tax levels. There is still scope to more consistently integrate resource and performance management data.
- 16 Good improvements in service performance are amongst the Council's achievements. There is a clear focus on the most deprived areas and addressing inequality, although outcomes in some areas do not match its ambitions. Linkages between ambitions and delivery, particularly action planning processes for crime and disorder and health, and in developing an overall strategy for older people are weak.
- 17 The Council has a strong approach to sustainable communities and transport. Regeneration activity has delivered good outcomes especially in its priority neighbourhoods such as Church End. Good progress is being made in increasing the numbers of decent and affordable homes. The quality of the environment is improving but often from a low base.
- 18 While there are strengths in the approach to develop healthier communities, progress has been slow. The Council and partners have achieved improvements in some areas such as cancer rates and heart disease. It has also been successful in promoting healthier lifestyles within its own workforce and within its schools. However, it still has some way to go though to develop an overall strategy.



- 19 The Council successfully delivers good social care services and other activities from which older people benefit. There is, however no specific co-ordinated coherent range of services with a focus on addressing independence and well being of older people across the borough.
- 20 The Council and its partners have achieved good outcomes in a number of children's services. This includes the contribution of services in helping children and young people to enjoy and achieve and to contribute to society.
- 21 Areas for improvement included issues to be addressed in relation to partnership working, the need to further enhance efficiency and effectiveness by exploiting joint service provision opportunities, and enhancing joint performance management, risk management and information sharing arrangements.

## Service inspections

**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.**

- 22 During the last year the Council has been assessed by the following inspectorates; the Benefit Fraud Inspectorate, the Commission for Social Care Inspection and the Office for Standards in Education.
- 23 The Benefit Fraud Inspectorate undertook an assessment as part of the comprehensive performance assessment annual ratings process. The Council's performance for 2005/06 was assessed as being 'good'. Service improvements have been achieved throughout the year, in particularly the timeliness with which housing benefit appeals were managed in the last two quarters of the year.
- 24 The Commission for Social Care Inspection's record of performance assessment for adult social care for the year 2005/06 shows that considerable progress has been achieved in the year. As a result an increasing number of users are being supported in their own homes, and robust arrangements established to protect vulnerable adults. The number of delayed transfers of care remains a challenge for the Council and further improvements are sought to reduce the time taken; for an assessment to be completed, and for disability equipment to be delivered to bring the Council in line with the better performing authorities. Adult social care budgetary pressures and the detailed work being undertaken to clarify the debt responsibility between the Council and PCT also remain complex and difficult issues to overcome.
- 25 The 2006 annual performance assessment of services for children and young people in Brent was undertaken in partnership by the Office for Standards in Education and the Commission for Social Care Inspection. The review found that overall outcomes for most children and young people in Brent are good. Where weaknesses were identified the Council has been prompt at addressing them and the Council has good capacity to further improve its services for children and young people.

- 26** A review of the performance management of partnerships was concluded in August 2006 by the Audit Commission which found that partnership working is well established across council services and client groups but arrangements for performance management of these partnerships are still developing. The Council is aware of this and continues to work with partners to develop an effective system.

## Financial management and value for money

- 27** On 27 September 2006, your appointed auditor reported separately to the General Purposes Committee the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
  - a conclusion on your value for money arrangements to state that these arrangements are adequate; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 28** The recommendations made in the auditors' ISA 260 letter are as follows.
- The earlier closure timetable was well managed overall but presented a particular challenge for schools, which prepare their accounts to differing year ends. The auditors encouraged the Council to focus on schools closedown process in future periods to ensure that balances are appropriately reconciled.
  - The accounts audit identified some instances (including Council Tax and Housing Resources Centre) where it may become appropriate to write off debts that have been fully provided. If amounts deemed irrecoverable are not written off, there is a risk that management information may be distorted in a way that could impact on the Council's ability to recover older debts. The auditors recommended that a more systematic approach to writing off debt be explored, which could include issuing clear guidelines on write off procedures to Finance Officers.
- 29** 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).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 30** 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 3**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 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)*

- 31** The Council was scored as a 3 overall for Use of Resources in 2004/05. However, it has achieved more than merely maintaining its score in 2005/06, as three of the scores within the five themes have improved overall, with none deteriorating. The scores that have improved are as follows.
- FR2 – The council promotes external accountability.
  - IC1 – How well does the council’s internal control environment enable it to manage its significant business risks.
  - VFM2 – The council manages and improves value for money.
- 32** The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 33** Financial reporting – the production of the final accounts continues to be strong. The auditor was able to meet the overall timetable for the audit clearance meeting (14 September) and to present the accounts and ISA260 report to General Purposes Committee on 27 September. This is one month earlier than in 2005, reflecting the progress that has been made. In addition, an annual review document was published on the Council’s website and also distributed throughout the borough (including at libraries). The document included summarised financial information covering the key areas of the financial statements and was presented in an innovative and user-friendly format.
- 34** Financial management – the three year Medium Term Financial Strategy continues to have a clear emphasis on local improvement. Progress is being made to improve the integration between the Council’s financial plans and those of its partners. In addition, good progress has been made ensuring that the council has an up to date corporate capital strategy linked to its corporate objectives and medium-term financial strategy. Sums set aside for clearing backlog maintenance across the services demonstrate that there is a firm resource commitment to tackling this issue and members have been fully briefed as to the extent of these liabilities.

- 35** Financial standing – there were overspends in 2005/06 in all three of the front line services. These were effectively contained through identification of savings elsewhere and through corporate savings such as treasury management. Financial reporting arrangements are mature and the Council is currently investing in a more sophisticated performance management system which is being rolled out to partners in 2006/07 and the following year. This will help Brent meet its longer term/CPA improvement objectives.
- 36** Internal control – software recently purchased enables risks to be linked to partnerships on a more targeted basis. Additional work is being undertaken to provide targeted training related to partnership risk, based on recommendations from the Audit Commission and there has been a better level of member training in risk management in 2005/06. The process for compiling the Statement of Internal Control has now been completely formalised in recent years and the introduction of service area director sign-off has strengthened arrangements.
- 37** Value for money – Overall the Council's comparative costs are largely similar to 2004/05 and continue to demonstrate best value compared with other councils providing similar levels and standards of service. Allowing for the local context, overall costs and unit costs for education and social services are relatively low in comparison with similar authorities, but performance as measured by CPA service block scores is good. Compared with last year, comparative spending on education and social service has decreased slightly whilst performance has remained constant. This represents an increase in value for money. The two most significant areas for improvement identified in our 2005 assessment were around the scope to increase the efficiency gains achieved through Best Value Reviews and for the Council to further develop and deliver its procurement strategy in order to standardise its approach to procurement. We were pleased to note that the Council has demonstrated significant progress in both of these areas, with The efficiency programme having delivered substantial efficiency gains across the 4 Gershon cross-cutting themes of Corporate services.
- 38** The auditors have completed their assessment of the Council's arrangements for data quality in accordance with the methodology and guidance prescribed by the Audit Commission in 'Data quality reviews 2006/07 (local government). This audit was performed in three stages, namely:
- Stage 1: Review of management arrangements;
  - Stage 2: Completeness checks; and
  - Stage 3: Spot checks: results of testing on selected performance indicators.
- 39** The overall average data quality score for stage 1 was 3. The main points arising from this exercise are as follows.
- The Council demonstrates senior level commitment and a well established framework for governing data quality, However it should consider encapsulating these within a formal data quality strategy ensuring that this is communicated to all members, staff and partners.
  - The Council should consider, developing its corporate policies and procedures for data quality.

## 14 Annual Audit and Inspection Letter | Financial management and value for money

- There were various systems weaknesses identified that had a direct impact on the final scoring for systems and procedures. The Council needs to strengthen the control environment and security arrangements around its information systems.
- The Council performed well against the requirements for people and skills. Improvements could be made in terms monitoring and reviewing training within the Council as a whole.
- The Council was judged to have performed well in terms of its overall data use. Recently implemented improvements in its performance management systems could enable the Council to achieve a level 4 for data management in the near future.

## Conclusion

- 40 This letter has been discussed and agreed with the Chief Executive, Director of Resources and director of Policy and Regeneration. A copy of the letter will be presented at the Executive on 16 April 2007.
- 41 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

## Availability of this letter

- 42 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the council's website.

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Relationship Manager

March 2007