

Annual Audit and Inspection Letter

February 2008



# **Annual Audit and Inspection Letter**

**Brent London Borough Council**

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**

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 0844 798 7070.

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## Key messages

- 1 The Council works well with partners to deliver wider community outcomes.
- 2 It is keen to achieve continuous improvements across its cultural services. The Council is investing well in this area, particularly through partnership working and in practical measures such as improving the access to leisure facilities.
- 3 It has a clear focus on achieving value for money, and its financial standing is strong.
- 4 The priority areas of educational attainment, street cleanliness, children's services and sport have shown improvements over the past year. Housing delivery remains a strength.
- 5 The Council's good budgetary discipline has resulted in the restoring of the Council's financial standing, and with it the level of resilience needed to withstand even quite considerable unexpected budgetary pressures whilst still progressing its stated objectives.

## Action needed by the Council

- 6 The Council needs to continue to focus on the key service areas of housing benefits and recycling to ensure that improvements are delivered and sustained.
- 7 The Council needs to develop and implement a marketing plan for cultural services and monitor and review the effectiveness of the plan.
- 8 The Council should review some of its specific categories of debtors for collectability - namely those amounts relating to residential and nursing care as well as amounts due from Metropolitan Housing Trust.
- 9 The Council will need to maintain its current level of scrutiny over its Local Area Agreement budgets and project expenditure to ensure that controls remain effective.
- 10 There needs to be greater clarity between roles of staff in the PeopleCentre, central Human Resources and the rest of the Council. This is necessary to increase officers' confidence in the ability of the HR change programme to meet deadlines and deliver wider benefits.
- 11 The Council's actions and pledges clearly demonstrate its commitments to the sustainability agenda. The need to achieve considerable improvements in terms of recycling rates however, remains a key challenge that requires continued focus.

- 12** The detrimental impact worklessness has on individuals and the community is well understood by the council, but this still remains a fundamental challenge to be addressed.
- 13** The Council has invested in the transformation of its human resource arrangements and needs to evaluate the outcomes of this work. This would enable refinements to be identified if required as well as providing useful feedback for any future transformation projects to ensure they successfully deliver their respective objectives.

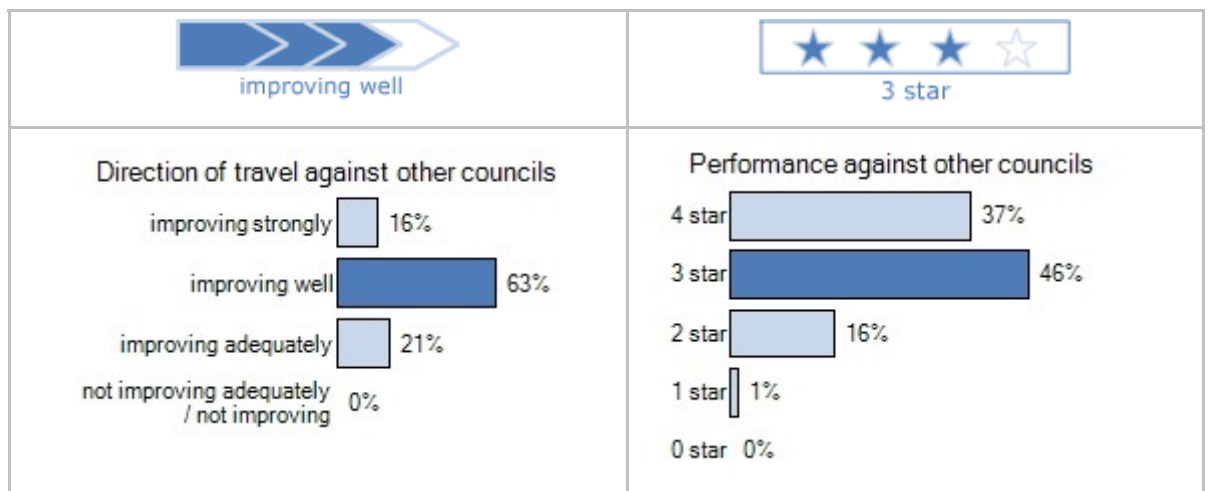
## Purpose, responsibilities and scope

- 14 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 for 2006/07 and from any local performance work undertaken in the year.
- 15 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.
- 16 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](http://www.audit-commission.gov.uk).
- 17 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.
- 18 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.
- 19 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 Brent Council performing?

- 20 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.

**Figure 1**



*The above charts are correct at time of publication, but may be subject to change.*

*Source: Audit Commission*

21 The detailed assessment for Brent 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
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance	
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

(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

- 22 Brent Council is improving well. The Council has delivered improvements in priority areas, such as educational attainment, street cleanliness, children's services and sport. Housing delivery remains a strength. The rate of improvement of key performance indicators overall is at the national average. Challenges remain in recycling and aspects of adult social care. Plans are in place to address these.
- 23 The Council works well with partners to deliver wider community outcomes for the locality in areas such as community cohesion, children's services, regeneration, housing and community safety. The Local Area Agreement provides a useful focus for engaging with partners and the diverse communities in the locality.
- 24 The Council is ambitious, has a clear focus on achieving value for money, and its financial standing is strong. Efficiencies have been delivered across a range of services including, agency staff provision and support provided to homeless families.



- 25 Effective leadership, governance and prioritisation support the vision for the area. It continues to develop its human resource capacity and customer services.
- 26 The Council is well placed to continue to deliver real improvements for the community.

## Service inspections

- 27 A waste management inspection was carried out in December 2007 and will be reported under separate cover.
- 28 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.
- 29 The Adult Social Care performance judgements delivered by the Commission for Social Care Inspection (CSCI) showed that outcomes in this service area are good and the capacity for improvement is promising. Further detail is outlined in the following table.

## Adult social care performance judgements

Areas for judgement	Grade awarded
Delivering Outcomes	Good
Improved health and emotional well-being	Adequate
Improved quality of life	Good
Making a positive contribution	Good
Increased choice and control	Adequate
Freedom from discrimination or harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Good
Capacity to Improve (Combined judgement)	Promising
Leadership	
Commissioning and use of resources	
Star Rating	Two stars

- 30** With regard to children's services, Ofsted noted that the Council delivers a good level of service for children and young people. Children's services make a good contribution to improving the achievement and well-being of children and young people in an area of considerable ethnic diversity with pockets of high social and economic deprivation. The Council has made a significant improvement to its contribution to staying safe since the joint area review last year. In particular, effective partnership working and the focus on preventative services is having a positive impact.
- 31** The Council's benefit service was assessed by the Benefit Fraud Inspectorate as part of the 2007 Comprehensive Performance Assessment. The assessment reviewed the benefit service's performance in four areas: claims administration, security, user focus and resource management. The Council scored a 3 overall the same as the previous year.

- 32 In addition, as part of the Audit and Inspection Plan for 2007/08 the Audit Commission followed up the recommendations from the report of the cultural services inspection dated August 2004.
- 33 It found that the Council has made good progress overall implementing the recommendations from the 2004 inspection of cultural services. At a strategic level, informed leadership is evident, for example, in arriving at decisions relating to the refurbishment of leisure facilities. The Council is actively taking steps to assess the key challenges that cultural services face corporately, for example, the ageing facilities across sport and library services. Capacity and resourcing are being addressed to deliver an improved range of cultural services.

## The audit of the accounts and value for money

- 34 Your appointed auditor has reported separately to the Audit Committee on 19 September and 18 December 2007 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, stating that these arrangements are adequate; and
  - a report on the best value performance plan confirming that the plan has been audited.

### Use of Resources

- 35 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).
- 36 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**

<b>Element</b>	<b>Assessment</b>
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
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

*(Note: 1 = lowest, 4 = highest)*

## The key issues arising from the audit

- 37 During the course of their audit, the Appointee Auditors identified a number of accounting issues. The key points are summarised below.
- 38 The accounts were approved by the Council on a timely basis and within the statutory deadline of 30 June. The Council has continued to work on the operation of its closedown procedures to ensure that these are consistent across departments.
- 39 As in previous years, the 2006/07 financial statements were generated from three ledger systems: Oracle, Unity and Epicor. A key area examined was in relation to the management of systems changes, which are considered to be important in the context of the planned upgrade of the Oracle system this year.
- 40 The Council encountered some systems issues relating to the recording of residential and nursing care debts on its Abacus system. The system was duplicating invoices requiring adjustment of some £2.1m, together with other interface problems overstating debtors in the accounts. The auditors recommended that officers should continue to investigate the reasons for the issues with the Abacus systems and that suitable corrective actions should be taken.
- 41 The auditors also recommended that the Council should continue to review the level of outstanding debt with Metropolitan Housing Trust. Agreement should be sought on outstanding balances due. At the time of the audit, not all of the £2.3m balance was considered to be recoverable.
- 42 A value for money review was undertaken of the effectiveness of management and financial arrangements in place to support reporting against the Council's Local Area Agreement ('LAA') targets. Strong systems are generally in place to monitor and report performance, although there are some risks around information received from partners and this area would benefit from additional guidance. The Council's Performance Plus management system was not fully operational at the time of the audit. LAA financial management arrangements, while robust, have required a significant input of management time due to the number of changes and amendments to claims made over the last year. The Council will need to maintain its current level of scrutiny over budgets and project expenditure to ensure that controls remain effective.
- 43 A second value for money review was undertaken of the Council's significant programme of change in transforming its Human Resource functions. The work involved a series of workshops to assess a 'snapshot' of reactions to the process of change, including identifying improvement areas and providing a baseline against which further communications and change efforts could be measured. Positive findings included the extent to which there was widespread support for the Council's approach, together with the recognition of the need for a change. However, there needs to be greater clarity between roles of staff in the PeopleCentre, central Human Resources and the rest of the Council. There is also limited confidence in the ability to meet deadlines and deliver benefits.

**14** Annual Audit and Inspection Letter | The audit of the accounts and value for money

- 44** The Auditors undertook an assessment of the Council's arrangements for data quality based on a prescribed methodology, involving consideration of management arrangements in place as well as spot checks of individual Best Value Performance Indicators. The Council is currently in the process of developing its controls, policies and procedures, which should be strengthened further when the Performance Plus system becomes operational. Only one of the eight performance indicators tested in detail had to be reserved.
- 45** The Auditors' work on the 2006/07 best value performance plan (BVPP) resulted in the issuing of an unqualified opinion in December 2006. This concluded that Brent Council has prepared and published its plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

## Looking ahead

- 46 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.
- 47 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.
- 48 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

- 49 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 Executive on 18 March 2008. Copies need to be provided all Council members.
- 50 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.

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**Table 3      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2006
Annual Governance Report	December 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Review of Cultural Services	August 2007
Annual audit and inspection letter	February 2008

- 51 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

- 52 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.

**Jackie Barry-Pursell**  
**Relationship Manager**

February 2008