

# Annual Audit Letter

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London Borough of Barking and Dagenham

Audit 2008/09

December 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 I gave an unqualified opinion on the Council's financial statements and Pension Fund on 13 November 2009, after the deadline for the audit opinion of 30 September.
  - 2 The audit certificate closing the audit was also issued on 13 November 2009.
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## Financial Statements

- 3 The draft financial statements were submitted for audit in June 2009 in accordance with the agreed timetable. The financial statements were complete but contained errors which were subsequently amended. These included a material error in relation to the precepts collected by the Authority on behalf of the GLA and a reclassification of the overdrawn cash balance.
  - 4 On the Pension Fund accounts there was also a material reclassification concerning how much was owed by the Council to the Pension Fund at 31 March 2009. All of these issues were reported to the Public Accounts and Audit Select Committee (PAASC) in September 2009.
  - 5 The audit of the Council's financial statements was not completed by the deadline of 30 September, as at this date the Authority was still finalising work on a revised cash flow statement and on journals relating to asset revaluations and was still working on agreed amendments to the accounts. We will be discussing with officers how the accounts production process can be improved next year.
  - 6 The impact of the various amendments to the financial statements resulted in a deterioration of the financial position of the Authority with the general fund balance reduced by £2.4m and the Housing Revenue Account by £2.1m. The Authority is taking remedial steps to recover the shortfall.
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## Value for money

- 7 I am satisfied that the Council, having regard to the criteria specified by the Audit Commission, in all significant respects, made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009. I issued an unqualified value for money conclusion alongside my opinion on the financial statements.
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- 8 I assessed the Authority as performing adequately under the new Use of Resources methodology, which forms part of the CAA framework for 2009. This assessment, equivalent to a score of 2, also applied to the three underlying themes which make up the overall score, namely Managing Finances, Governing the Business and Managing Resources. Detailed findings in relation to Use of Resources can be found in Appendix 1.

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### Audit fee

- 9 As shown in Table 1, an extra fee was required to complete the audit as a result of the problems found in the accounts.

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**Table 1      Audit fees**

	<b>Proposed (£000)</b>	<b>Expected Actual (£000)</b>	<b>Variance (£000)</b>
Financial statements and annual governance statement	257	273	16
Value for money/use of resources	111	111	0
Total audit fees	368	384	16
Pension Fund	38	38	0
Non-audit work	0	0	0
Total	406	422	16

- 10 We are currently completing our work on 2008/9 grants with a likely outturn of £130k, compared to £166k in 2007/8 and our initial estimate of £110k. On a number of grants we have found that the initial working papers provided to support the claims were incomplete.

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### Actions

- 11 My recommendations are shown within the body of this report and have been agreed with the Council.

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### Independence

- 12 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which Barking and Dagenham Council accounts for its stewardship of public funds.**

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## Errors in the financial statements

- 13 Two material amendments were made to the draft financial statements, neither of which impact on the net worth of the Council or the reported surplus for the year.
    - £21.5 million recorded as cash overdrawn on the draft balance sheet was reclassified as creditors.
    - The draft Income and Expenditure Account included a receipt and corresponding payment of £15.9m relating to the precept collected by the Council on behalf of the Greater London Authority. This transaction should only be reflected in the Collection Fund and not in the Council's Income and Expenditure Account.
  - 14 A number of other non-trivial adjustments were made to the draft financial statements. Taken together, these non-trivial adjustments reduced the balance on the Housing Revenue Account from a surplus of £2.2m to a surplus of £0.1m and also resulted in a deterioration in the General Fund balances from £6.1m to £3.7m.
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## Material weaknesses in internal control

- 15 We did not identify any weakness in the design or operation of an internal control that might result in a material error in the financial statements. However, we found a number of weaknesses in the operation of controls which we reported to the PAASC in our Annual Governance Report.
  - 16 As we were unable to place reliance on these system controls operating effectively, we performed additional substantive testing both before and after the provision of the financial statements. Our additional testing enabled us to gain sufficient assurance in these areas for our audit opinion.
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## Accounting practice and financial reporting

- 17 During the year, the Council has been working on a project to improve the structure and reporting functionality of its general ledger. While progress has been made in this area, there remains further work to do in order to improve the efficiency of the closedown process.
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- 18 In order to produce the financial statements, a financial statement generator report was run. Further adjustments were then processed outside of the ledger in a spreadsheet. Usually, the financial statements can be directly agreed to the general ledger and any changes are made via journals, which pass through a process of review and control. Adjustments outside of the ledger may not be subject to equivalent controls, introducing a greater risk of error.
- 19 We found weaknesses in the Council's reconciliation processes, particularly in respect of clearing long-standing reconciling items. We found that reconciliations relating to the key areas of accounts receivable, accounts payable and payroll lacked adequate detail and only one was signed by both the person who completed the work and a reviewing officer.
- 20 The audit trails from the financial statements to transaction listings for income and expenditure, debtors and creditors were not readily available. Our work to identify samples, therefore, took considerably longer than would normally be expected.
- 21 Our review of the Council's registers of interests and gifts and overall hospitality revealed a limited number of disclosures. This creates the risk that the disclosure may be incomplete. The Council requested declarations from six senior officers in line with its Scheme of Delegation. The Council should consider extending the declaration process further to cover Heads of Service.

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### Other matters

- 22 The financial statements were provided for audit at the end of June and as agreed with the Authority our audit started shortly afterwards. Initial working papers were provided in line with the agreed timetable, although there were some notable omissions, particularly relating to fixed assets and the collection fund. The working papers files provided had not been subject to a full quality review and there is scope to improve the clarity of the referencing system used. Some of the papers provided were subsequently revised, such as those for cash and bank. Consequently, more time was spent by audit than expected in reviewing the working paper files.
- 23 The problems experienced were in large part due to changes in staffing during the audit and an over-reliance on one individual officer (a part time contractor).

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### Whole Government Accounts

- 24 Each local authority is required to submit a consolidation pack based on their statutory accounts, to CLG. These support the Central Government objective of producing whole government accounts (WGA) across the public sector as a whole. The Authority is responsible for providing the information required for the WGA and to ensure that adequate systems and appropriate accounting judgments support this data.

## Financial statements and annual governance statement

- 25 The deadline for the submission to CLG of audited packs was 1 October 2009, with guidance indicating that unaudited consolidation packs needed to be provided to audit by 31 August 2009 at the latest. Due to the delays in the finalisation of the work on the financial statements we were not provided with the unaudited pack until 3 November 2009. Following the completion of our work we submitted the audited consolidation pack on 14 December 2009.

### Recommendation

- R1 Strengthen closedown procedures for 2009/10 to support an efficient accounts preparation process, including the provision of comprehensive working papers and sufficient and appropriate staff support.

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# Value for money and use of resources

**I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.**

**I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.**

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## Use of resources judgements

- 26** From 2008/09, our use of resources assessment forms part of the Comprehensive Area Assessment (CAA) and comprises three themes that focus on:
- sound and strategic financial management;
  - strategic commissioning and good governance; and
  - the management of natural resources, assets and people.
- 27** In seeking to foster continuous improvement the Audit Commission introduced a more rigorous and broader based methodology for assessing a body's use of resources in 2008/09. The three themes are informed by nine detailed key lines of enquiry (KLOE) and the assessment criteria are more stringent than previously, with a focus on outcomes for the local communities rather than internal processes. Members should take this into account when considering relative performance between 2008/09 and previous years.
- 28** In forming my scored use of resources judgements, I have used the methodology set out in the use of resources framework. Judgements have been made for each KLOE using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards
- 29** The Council's use of resources theme scores are shown in Table 2. The key findings and conclusions for the three themes, and the nine underlying KLOE, are summarised in Appendix 1.

**Table 2 Use of resources theme scores**

Use of resources theme	Scored judgement
<b>Managing finances</b> How effectively does the organisation manage its finances to deliver value for money?	2
<b>Governing the business</b> How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	2
<b>Managing resources</b> How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	2
<b>Overall</b>	<b>2</b>

### Managing Finances

- 30** We concluded that the Council has adequate arrangements in place to manage its finances, both annually and over the medium-term. There is evidence that finances are used proactively and are targeted towards the priorities set out in the Local Area Agreement (LAA). For example, the provision of free swimming for under-18s and improving the educational performance of looked after children.
- 31** There is scope to increase the contribution that key stakeholders can make to the medium-term planning process and to improve the transparency of sensitivity analysis performed on key budget assumptions. The key messages arising from medium term and annual financial planning could be communicated to staff and stakeholders more effectively.
- 32** The Council has a track record of realising planned efficiency savings. In 2008/09 it reported savings of £12.7 million against a target of £11.5 million. While costs are linked to performance in some areas, this is not yet happening systematically. Where benchmarking has been undertaken and issues have been identified, for example, in IT, plans to transform processes are in place but are at an early stage of implementation.
- 33** The availability of capital funding has only recently been restricted for the Council and as a result, projects have only recently undergone a thorough prioritisation and 'tollgate' process. The Council needs to ensure that project appraisals supporting major investment decisions set out explicitly the full cost implications, sustainability considerations and any anticipated impact on related performance indicators.

- 34** The Council's budget monitoring and forecasting information is clearly presented. The capital programme is re-profiled each quarter to take account of slippage and schemes starting earlier than planned. Scrutiny and challenge is provided by the Resource Monitoring Panel and this has contributed to the effective management of the Council's annual budget in recent years. Balances are low however and action is required to contain emerging budget pressures.
- 35** There is a recognised need to address legacy issues arising from the implementation of the Council's general ledger. The inadequacy of the ledger's structure has inhibited the Council's ability to perform cost analyses and has had a significant impact on the efficiency of preparing the annual financial statements (the latter point is addressed in more detail in my Annual Governance Report and earlier in this letter). The Council has taken only limited steps to date to prepare for the implementation of international financial reporting standards, which could place additional pressure on future closedown timetables.
- 36** Give the recent turbulence in the financial markets and pressures on funding levels nationally, the Council should continue to keep its finances under review, and in particular ensure that the reserves position is maintained commensurate with the risks it faces.

### Recommendations

- R2** Continue to vigorously monitor the financial position to ensure the Council has a robust level of reserves and balances commensurate with the risks it faces and that emerging budget pressures are addressed.
- R3** Ensure that work on IFRS is sufficiently and appropriately resourced to ensure the Council will meet the implementation timetable.

### Governing the business

- 37** The Council works with its partners to understand its communities. Efforts have focused on the Customer Insight and Experian programmes to help inform commissioning decisions. Innovative steps are taken to engage with hard-to-reach groups, in particular, through the Community Communicators project and establishing various parliaments. Service users are empowered to influence the services they receive. Examples of positive outcomes provided include individual budgets (IB) for adult social care, including one scheme in a residential home where residents could opt to pool their IBs, and the redesign of the domestic violence intervention service.
- 38** The Council has developed a data quality policy and has invested in training to help ensure the robustness of data generated both internally and by partners. However, not all data is currently sound and our spot check of a sample of four indicators found that one was significantly misstated (NI 155 affordable new homes was restated from 262 to 176).

## Value for money and use of resources

- 39 Performance data is used to inform decision-making and monitor achievement against priorities. The Chief Executive Challenge sessions play a key role in this process. In-year reporting is timely, transparent and tailored to the needs of the audience. However, the 2008/09 out-turn report shows comparatively poor results and does not include targets or a visual indication of the direction of travel. There are a number of policies in place to ensure data security, although the Council has not yet reviewed whether these are operating effectively in practice.
- 40 A framework to support ethical governance is in place. This is being strengthened in 2009/10 through a restructure of the scrutiny function and embedding a more structured approach to Member training. There are good working relationships between Members and officers and there is a shared focus on community priorities.
- 41 There were no cases referred to the Standards Board during the year. However, the Council's annual return to the Standards Board indicates the following issues that need to be addressed.
- Promoting the role and work of the Standards Committee and inviting the Chair to report to Assembly meetings;
  - Appointing a Member to lead on ethical standards.
  - Publicising the outcomes of investigations into misconduct.
  - Establishing registers of interest and gifts and hospitality for officers.
- 42 The Council has embedded risk management arrangements and is extending these further in 2009/10 to cover opportunity management. Training is delivered to staff, Members and partner organisations and this is having a positive impact. Risk registers are comprehensive and are challenged routinely, although our review noted that timescales are not always assigned for the implementation of mitigating controls.
- 43 The Council has increased resources allocated to counter fraud work most notably in identifying housing tenancy fraud. The Council has undertaken a self assessment against the Red Book which has identified some areas for improvement. The anti-fraud strategy, while comprehensive, is due for a refresh as it was last updated in 2005. No evidence was provided to us in respect of Member training and training has not been delivered to partner agencies.
- 44 Our work has not identified any material weaknesses in internal control. However, there are a number of issues that remain to be addressed, including the adequacy of control account reconciliations and weaknesses in key financial systems (my Annual Governance Report provides further details). While additional support has been provided to the Audit Committee, it is not yet fully effective and there is a need to ensure that its work has impact. Internal Audit complies with CIPFA standards, however, their profile in the Council is low and there are frequent delays in management responses to draft action plans.

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## Managing resources

- 45 The Council made initial strides to address its use of natural resources two to three years ago, including the production of a Carbon Management Plan in 2006. However, that pace was not maintained and has only recently been reinvigorated, for example, by re-launching the Green Champions scheme.
- 46 There are examples where the Council has lessened its impact on the environment. These include reducing energy usage at Goresbrook Leisure Centre and improving insulation in older school buildings. However, these initiatives are not yet replicated across all Council assets, including housing stock. The Council has installed smart meters to provide a robust baseline for energy usage, although there are currently no baselines for the use of other resources such as water and materials and waste generated.
- 47 Historically, asset management has not been a strength at the Council. However, the appointment of a Divisional Director to manage capital delivery is ensuring that a strategic and corporate approach is now being taken to asset management. An asset management plan covering the next seven years has been developed and investment has been made in project management to support delivery of the capital programme. There are good examples of working with partners, including the voluntary sector, to make the most effective use of Council assets.
- 48 There will be a lead in time before the full benefits of the revised asset management strategy are realised. The Council has also started to perform benchmarking although this is not yet sufficiently sophisticated to enable comparison across all areas of asset use.

<b>Recommendation</b>
<b>R4</b> Implement the action plan to address the issues raised during the Use of Resources assessment.

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## VFM Conclusion

- 49 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against nine criteria specified by the Audit Commission, which align with the use of resources KLOE. Should a body be assessed as not achieving minimum standards in any relevant criteria, then the VFM conclusion would be qualified in this respect.
- 50 Barking and Dagenham were assessed as meeting standards in each criteria and I was therefore able to issue an unqualified VFM conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. My conclusions on each of the areas are set out in Appendix 1.

### Local risk work

- 51** In addition to my work on use of resources and to support the value for money conclusion I also reviewed the Council's arrangements to address significant local risks around Health Inequalities.
- 52** The main conclusions from this work are summarised in the paragraphs below.

### Health Inequalities

- 53** During the year we commenced a review of Health Inequalities in Barking and Dagenham. This is being performed in two stages. The first stage of our review concluded that:
- progress is being made in implementing the recommendations of the National Support Team review from early 2008, with investment into initiatives to tackle health inequalities;
  - partnership structures aimed at monitoring health inequalities were not fully effective in 2008/09; and
  - performance management was underdeveloped in 2008/09, with no clear system for assessing the outcomes from the investments being made.
- 54** It is our understanding that there has been significant work done in all these areas since our audit was undertaken.

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# Closing remarks

- 55** I discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Public Accounts and Audit Select Committee on 16 December 2009 and will provide copies to all members.
- 56** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Annual Governance Report	September 2009
Health Inequalities (Presentation)	September 2009
Use of Resources Report	September 2009
Opinion Audit Report	November 2009

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- 57** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Jon Hayes  
 District Auditor  
 December 2009

# Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

<b>Theme 1: Managing finances score</b>	<b>2</b>
Financial planning	2
Key findings and conclusions	
<p>Integrated financial spending. The integration of financial planning with strategic and service objectives is demonstrated through the redirecting of funds to priority areas. For example, there have been marked improvements in recent years in the educational performance of looked after children, increased levels of physical activity with initiatives such as free swims to tackle high levels of obesity in children and pilot work on the use of wheelie bins to improve waste management. Funding is often linked to area based grants which totalled £14.8m in 2008/9. While there has been some significant progress in terms of performance, this is often starting from a low base.</p> <p>Medium Term planning. The Medium Term Financial Strategy is updated annually and covers a three year timescale. The update is presented at the point that the Council Tax is set. It incorporates planning figures, Members' views and key strategic objectives. The Authority also provides medium term projections for savings and cost pressures, however, there is scope to improve the transparency of sensitivity analysis and challenge applied to budget assumptions as financial projections remain fairly static over the three year period.</p> <p>Engages with stakeholders in financial planning. The Authority undertakes a range of consultations, including the use of consultants to survey and report on, for example, the public generally and young people. A total of 605 responses were received from the statutory budget consultation. One key concern, being the impact of the recession, was reflected in the decision not to increase the level of Council Tax in 2009/10. It is less clear what feedback is received from partners and staff; evidence provided relates more to consulting on proposals rather than shaping key budget decisions.</p> <p>Financial governance and leadership. The budget process included Member involvement and was approved before the start of the year. Draft budget proposals were presented to the ruling Labour Group for the 2009/10 budget and comments resulted in changes arising from the objections to proposed cuts in parks security and the closure of one adults care home. The finalised budget was presented to the Executive and then Assembly on a timely basis in February 2009. There is Chief Executive challenge of the budget and ongoing finances. Attendance at the Audit Committee has demonstrated some financial awareness among some of the Members.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>Managing spending. Each Head of Service is required to identify budget pressures and savings as part of the budget-setting process. These are given a Red-Amber-Green status and are reported to CMT where they are challenged. Reports on progress against savings targets are also reported to CMT. The Resource Monitoring Panel (RMP) is used to identify and addressing emerging budget pressures. In 2008/09, a £6m overspend in Children’s services was identified at an early stage and was managed through use of reserves and additional savings from other services. Work is also undertaken on invest to save schemes. The RMP needs to be improved through strengthening the link between finance and performance data. Overall, the Council has a system to identify savings and pressures but the level of information generated on the individual forms is fairly basic, especially on the savings plans which often need further work to document the expected outcomes.</p>	
Understanding costs and achieving efficiencies	2
Key findings and conclusions	
<p>Understanding costs. The Council has only recently had a sufficient understanding of costs down to an individual basis to ensure that it is operating as efficiently as it could. This was a result of short-comings in the implementation of the general ledger which inhibited the ability to analyse costs at a unit or transaction level. There was also a lack of integration between financial and other data systems, particularly human resources. Appropriate steps have now been taken to align systems. The Council is now aware of where it has high costs or is performing poorly relative to costs and uses this information to target activities. For example, leisure services were high cost and poor performing, so the Council undertook a review to establish the financial position, measure performance against other providers, and carry out an options appraisal of alternative methods of service provision to reduce costs and increase usage. The review concluded that there was limited performance and financial information which allowed the Council to benchmark the service against other providers and action is now being taken to address this. The six-monthly Chief Executive challenge does challenge costs, performance and delivery against service plans, and action plans result.</p> <p>Decision-making. Benchmarking is not undertaken across all areas and whole life costing has only recently been applied to all capital projects. Evidence provided to support the Beacontree Heath Leisure Centre capital investment show basic details on the cost of the proposal but limited information on potential activity and other considerations such as the environmental impact. The papers also indicate increase cost pressures but lack exploration of the factors involved in the growth. Capital funding has only recently been restricted for the Council and as such, projects have only recently undergone a thorough prioritisation and tollgate review process. There is scope to better communicate the link between costs, performance and outcomes with case studies focusing on one or the other, but not both.</p> <p>Making efficiencies. The Council has reported that for NI179 in 2008/09, it achieved an outturn of £12.7m against a target of £11.5m. It also exceeded its target in 2007/08. While Members report that there is some linkage of financial and performance information, it is still hard to identify the impact on performance in areas where more resources have been allocated. The Council does understand areas where its costs are relatively high in comparison to others and takes action to address this. For example, SOCITM benchmarking has revealed that IT is high cost/medium service. The Council has plans in place to transform its approach to IT, through business process re-engineering, to support the delivery of its asset management and corporate objectives. However, the planned actions arising from this work are not yet implemented.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Financial reporting	2
Key findings and conclusions	
<p>Financial monitoring and forecasting. In 2008/09 budget monitoring identified potential overspends at an early stage and the in-year forecasts proved consistent with the year-end position. There is quarterly re-profiling of the capital budget to reflect progress on capital schemes. Schemes that are delayed have their budgets re-profiled across financial years, and those that start earlier than planned have future year's budgets brought forward, although overall, there is no change in total budget for a scheme. Overall, the Authority has a good system for monitoring and reviewing savings and cost. There appears to be a lack of formal, structured monitoring of partnerships; corporate finance has no specific role in this as the financial performance of partnerships is monitored at Heads of Service level.</p> <p>Fit for purpose financial reports. Budget-holders have on-line access to the ledger, although it is not user-friendly. There is a monthly Resource Monitoring Panel (RMP) which is chaired by the Lead Member for Resources. Each of the four Departments is considered separately at these meetings. The Director, Heads of Service and Group Finance Manager attends. There is also a corporate round up meeting which is attended by the CE and DoR. The RMP considers a number of reports for each Department: progress against the budget; progress against the capital programme; progress on land disposals; income monitoring; spend on energy; debt management (exc. Treasury Management). Reports have RAG status and the RMP considers what action is needed to address any variations from target. There is some linkage to activity/performance information, although this could be more explicit. Budgets are monitored at Scrutiny Management Board, which provides cross-party challenge.</p> <p>Preparation of Accounts. The Council's draft Accounts were available and approved within the timescales. However, work continued on fixed assets and a revised disclosure note with a £400k amendment was presented part-way through the audit. Further non-trivial amendments identified by the Council were also made. Working papers were not available at the agreed time and some were only available after the audit had started. We asked for a large number of low value amendments. The structure of the general ledger, accounts payable and accounts receivable systems makes reports of audit trails hard to generate and leads to an inefficient audit. While a new coding structure was implemented in the year to secure improvements, this has not been entirely successful. The Council has not yet established a project plan for implementing IFRS.</p> <p>Publishing reports. The Council states that it consults annually with users on the presentation of summary financial information but has not provided evidence to demonstrate this. The Annual Audit and Inspection letter and draft and final accounts are on the Council's website. The Council's website meets the standard accessibility criteria. Council publications include references in other languages. The Council is yet to prepare its 2008/09 annual report although the 2007/08 report included some references to how climate change is being addressed, but limited analysis of the Council's carbon footprint.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>Theme 2: Governing the business score</b>	<b>2</b>
Commissioning and procurement	3
Key findings and conclusions	
<p>Clear vision of expected outcomes. The Council works with partners to understand its communities. The JSNA, customer insight programmes, Experian and other engagement exercises inform commissioning activity. The Council strongly appreciates diversity and has achieved Level 5 Equality Standard. Equality impact assessments are used routinely. Innovative steps are taken to engage hard to reach groups, eg the Community Communicators project involves a team of local volunteers developing daily face-to-face contact with residents in hard-to-reach wards. The communicators share information with neighbours, colleagues, friends and families. Their feedback informs services, marketing methods and helps dispel misconceptions.</p> <p>Extensive involvement in commissioning. The Council performs well in this area and actively seeks views of service users via well established forums. At one care home, 11 of the 15 residents opted to pool their individual budgets (IB). These 11 residents formed a consortium to choose a preferred provider, selecting the care that best suited them. Pooling of the IB has led to estimated savings of £140,000 as service provision is being delivered to participants jointly, eg providing two carers 24/7 rather than each resident purchasing a two hour slot. The scheme has also freed up some of the IB to spend on other support at no extra cost to the Council. The 2008 APA assessment of Adult services found that people were actively involved in planning services they want to use, eg people with learning disabilities have a Service Users Parliament and are also involved in inspecting residential and day care services.</p> <p>Improvement through service redesign. The Council has a major service transformation programme 'One Barking and Dagenham'. The programme re-engineers services from a customer perspective and involves customers as key stakeholders through communication, consultation and participation in identifying solutions and enablers for each situation. A redesign of the domestic violence intervention service has led to a dramatic reduction in repeat offences.</p> <p>Understanding the supply market. The Council is active in managing local markets, working with partners and providers to understand the market and undertaking market stimulation activities. The Council provides high-level, capacity-building support to the third sector. It has commissioned training for local third sector organisations to bid for contracts with the Council and its partners. The Council also advises on establishing consortia and provides grants to third sector organisations, aimed at building their capacity to be future providers. Contracts for agency staff require contractors to utilise locally based companies wherever possible and to provide training and employment opportunities for local people. Contracting arrangements have been reviewed to ensure the burden of paperwork is commensurate with the value of the contract, enabling lower value contracts to be awarded to smaller, local, providers.</p> <p>Evaluation of procurement options. The Council works with partners to secure additional funding and deliver services of mutual benefit. Together with the PCT, the Council has implemented free swimming. This has led to attendance levels increasing by 200 per cent. As well as providing youth activities it is anticipated there will be sustainable health benefits eg tackling obesity. A 2006 Sex and Relationship Education (SRE) Survey found few students were aware of their school nurse and that teachers lacked confidence in delivering SRE. A joint bid between Children's Services and the PCT secured £385k annual funding. The funding has enabled Health Advisors to be provided in secondary schools and teachers have received coaching in effective SRE. These actions have resulted in an increased awareness of school nurse drop in sessions from 25.5 per cent to 41.1 per cent and student satisfaction levels with SRE teaching increased from 72 per cent to 80.2 per cent. Anticipated sustained outcomes include a reduction in teenage pregnancies and STIs.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions	
<p>Reviewing competitiveness and achieving VFM. Within North East London, the Council leads on developing shared services. Actions to date include: a shared service for adult care line with two other London boroughs which will result in savings of £1m over four years; and a shared NNDR service with another London Borough, resulting in savings of £600k over five years. IT is used to make services more accessible and cost effective.</p>	
Data quality and use of information	2
Key findings and conclusions	
<p>Produces relevant and reliable data, works with partners to secure DQ. The Council has a Data Quality Policy that covers definitions, partnership working and risks of third-party sources, verification, maintaining systems and staff responsibilities. There was consultation on the policy, including with partners. Guidance is readily available and DQ issues are incorporated into partnership governance documents. Training on data quality has been provided to relevant staff; partners are also invited and feedback is positive. Data quality issues are considered alongside performance monitoring and action is taken where appropriate, eg more resources were allocated to teenage pregnancies so that data could be broken down by ethnicity. Use of the Covalent performance management system is helping to drive the COUNT principle. The results of our spot check of 4 indicators found 2 were fairly stated, 1 was materially incorrect, and the remaining indicator has not yet been prepared although underlying systems are robust. The incorrect indicator over-stated performance, but even so, it was still way below target so may not have inaccurately influenced decision-making. Our work on the opinion has identified weaknesses in some of the underlying financial data.</p> <p>Provides information which supports the decision-making process. Reporting of performance is timely, open and transparent. The Council makes good use of a range of media to report its performance. Reports are tailored to the needs of the audience, for example, members' performance reports focus on key Council priorities. A range of information is provided to support decisions, including financial, activity and performance data, trends and benchmarking.</p> <p>Ensures data security and compliance with statutory requirements. A number of policies are in place to ensure data security, including an Information Security Statement (which all staff must sign prior to being given IT access), an anti-virus policy, Remote Access Policy and Data Protection Policy. A self-audit programme is in place which details procedures for risk assessment of performance indicator information, how managers with responsibility should self audit the data, particularly high-risk data, and a checklist for self-audit. However, no evidence has been provided to demonstrate adherence to, and impact of, these policies. Risk management processes ensure the consideration of DQ issues. Job specifications for performance staff include DQ issues. The Council meets the standards required for GSI.</p> <p>Monitors performance against priorities. Arrangements for performance managing key indicators are embedded. The Chief Executive's Challenge process challenges Directors, Heads of Service and Group Managers on a range of performance and cost issues. SMART action plans are pulled together from these sessions and are monitored through the performance management framework to ensure progress is on track. The key performance indicators for the Council are a combination of LAA, other NIs and Local Indicators. These are based on Council priorities and are reported to CMT and Members quarterly, using RAG status. There is timely and clear reporting of performance and performance management is instilled at the heart of decision-making. Members play an appropriate role in managing performance. The scrutiny committees receive the quarterly 'Achieving Excellence' reports as well as a breakdown on performance in areas relevant to their focus. However, the year end out-turn report shows only 3 NIs are in the top quartile, three are in the mid-quartiles and ten are in the bottom quartile for the London comparative. No analysis is shown of trends to place this into context.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Governance	2
Key findings and conclusions	
<p>Principles of good governance. The Council has a constitution that is reviewed regularly. The Council has a clear scheme of delegation. Ethical protocols are kept under review and there are established procedures to address human rights and equalities duties. Both Members and Officers report there are good working relationships. Officers are viewed as professional and open. While some useful Scrutiny reviews have been undertaken in the year, the Lead Member for Resources stated that the Scrutiny structure in place in 2008/09 lacked clout. This has been revised in 2009/10. A relatively high proportion of Committee meetings are cancelled or rescheduled at short notice. In February 2009, the Council achieved the London Member Development Charter. Member development plans are in place, although these are optional. Member training opportunities are provided and training events are generally well-organised.</p> <p>Purpose and vision. There is a wide range of community engagement and consultation, including, MORI, Campaign Company, public engagement through Cabinet members going on ward walks, the "Tell Us" campaign and neighbourhood management and Citizens' Panel. The Council is exploring the use of Experian data. The latest corporate assessment concluded that the Council's seven community priorities are clear and give a focus to the ambition 'Together we will build communities and transform lives'. They reflect national priorities and address the most pressing concerns for local people. The Chief Executive is an effective leader with a clear focus on improving services for all. Officers and councillors take collective responsibility to improve performance. Members' understanding of their roles is mixed, with some more effective than others.</p> <p>Ethical framework and culture. While registers of gifts and hospitalities and interests are in place for Members, the Council's Annual Return to SBE states that for senior officers, there is no code of conduct or register of interests. Members receive periodic reminders from the Monitoring Officer of the need to register declarations of interest and gifts and hospitalities. More can be done to promote openness of Member disclosures, for example, placing registers of interests and gifts and hospitalities on the Council's website. A search of the Standards Board website revealed no cases have been reported in the year. However, the return to SBE identifies a number of shortcomings in the Standards Committee's promotion of its work and interaction across the Council.</p> <p>Partnership governance. Work on CAA and health inequalities has identified concerns with partnership working and a lack of trust between the key players of the PCT and Council. The Standards Committee has not considered how it will work with partners to promote ethical standards. The Council has reshaped its partnership structure to make it more clearly focused on community priorities and to provide effective and clear governance for decision-making. A revised Partnership Governance Handbook supporting the revised structure and clarifying governance arrangements will be adopted in June 2009.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Risk management and Internal Control	2
Key findings and conclusions	
<p>Risk management. The Council has embedded systems for risk management. This covers service, departmental, corporate, partnership, project and programme risks. The Council has reviewed and refreshed its risk management strategy in the year. The Council's risk manager is on the executive of ALARM. The risk manager reports to the Head of Internal Audit and risk registers have helped inform Internal Audit's 2009/10 annual plan. Responsibility for risk management at a Member level rests with the Audit Committee, however, all Authority Members have been offered training and they do challenge risk issues within reports that they consider. CMT reviews the corporate risk register every six months.</p> <p>Risk management is integrated with service planning and the risk manager facilitates service planning sessions. Departmental risk registers are challenged every six months to help provide a corporate overview for departmental heads and to enable cross-cutting themes to be identified and managed. The approach to risk management permits innovation and the Council is delivering sessions on managing such opportunities. Risk management training has been delivered to key partner agencies with positive impact. Partnership risks are considered within service and departmental risk registers and more recently, the Council is working to develop risk registers specifically for the key partnerships.</p> <p>Counter fraud. The Council has adequate arrangements are in place to prevent and detect fraud. The Whistleblowing policy was refreshed recently and in 2008/09 there were 27 referrals compared to nine in 2007/08. The policy extends to the public and there is a reporting hotline and HB fraud hotline. During 2008/09, the Council has strengthened resources in anti-fraud work: a tenancy fraud team has been established and the anti-fraud section of internal audit has increased. The tenancy team has identified 62 cases of illegally occupied Council properties in 15 months. There is an anti-money laundering policy in place since 2005. Mandatory one-day anti-fraud and internal control training was provided to managers in 2007/08 and this resulted in raised awareness, eg increase in fraud risks in risk registers. The Council was unable to provide evidence of Member training.</p> <p>There has been no specific training in respect of partners.</p> <p>The Council has undertaken a review of its arrangements against the Red Book and developed an action plan. There are good outcomes from investigations and recovery is pursued, helping establish a deterrent effect. Vetting occurs within departments and is reinforced through the risk management team. Appropriate liaison arrangements are in place with the police. Cases of proven HB fraud are publicised (49 successful prosecutions and sanctions in 2008/09) and the Council is investigating the 'pay back' initiative with the Met Police. Proactive anti-fraud work (while not informed by a risk assessment) has delivered outcomes: Right to Work led to six resignations and a review of personal mobile phone use lead to 14 employees resigning or being dismissed. A report by the OSC praised the Council's compliance with RIPA.</p> <p>Internal control. The Audit Committee did not operate particularly effectively in the year and has been restructured in 2009/10. Internal Audit comply with CIPFA standards, however, progress in agreeing reports is slow and their profile in the Council is low. There are weaknesses in key financial systems, particularly accounts payable. There is a corporate business continuity plan and departmental BCPs. The corporate plan has been tested. Partners' BCPs have been considered, for example, schools. The AGS is not a well-focused document although the areas flagged for improvement demonstrate self awareness.</p>	

<b>Theme 3: Managing resources</b>	<b>2</b>
Use of Natural Resources	2
Key findings and conclusions	
<p>Understanding and quantifying use of natural resources. The Council has been monitoring energy costs on a monthly basis during 2008/09. However, it has only recently been monitoring energy usage. Smart meters have been installed to provide a robust baseline for this purpose. The Council undertook the Carbon Trust Management Programme in 2006 and produced a Carbon Trust Management Plan. In summer 2009, the Council will adopt its first Climate Change Strategy. The strategy has identified the impacts of the Council around carbon and methane emissions, and sets targets around reducing the Council's emissions. Some progress has been made in understanding use of natural resources in service provision, with a good example of energy reduction at Goresbrook leisure centre. However, there is limited evidence of a systematic, Council-wide approach across all assets and services.</p> <p>Managing performance to reduce environmental impact. The Council's Green Champions Scheme and the Green Office Guide monitors and reduces the Council's usage and waste around natural resources, encourages sustainable procurement, reduces energy wastage, promotes Fairtrade, and generally improves the working environment for all. However, outcomes are yet to be demonstrated and the scheme is only due for re-launch in 2009. Investment has been made in improving staff awareness of environmental issues and fostering behavioural change in working environments to reduce energy use. In 2007, the Scheme reduced total office waste by 40 per cent, total purchase of paper dropped by 33 per cent and non-recycled paper usage reduced by almost 50 per cent, saving the Council around £70,000.</p> <p>Green travel initiatives have been implemented, including charging staff for parking to encourage the use of public transport, undertaking a review of essential car users allowance and improving mileage allowance for cycle users. A wheelie bin pilot was launched last year which resulted in doubling recycling rates and a 15 per cent reduction in waste collection in the pilot areas, as well as impacting well on street cleanliness.</p> <p>The Council has plans in place to reduce the environmental impact of its capital programme. It is redesigning its systems and review processes to ensure that projects reduce energy and natural resources consumption, and that general environmental performance within projects is improved. To ensure compliance and aid understanding, staff within Capital Assets, Educational Assets, Regeneration and Planning have undertaken training on Sustainable Design and Construction and Renewable Technologies. The guidance is being implemented on Council led schemes including Dagenham Library and Northbury School. The Council invested £1m in 2008/09 implementing carbon reduction technologies throughout Council Assets. Swimming pool covers have been purchased and older school buildings have been made more energy efficient through loft insulation and double-glazing. Sustainability has been integrated into the council's service planning process, requiring managers to identify how sustainability considerations will be taken into consideration. Guidance requires managers to explain how their division will reduce energy consumption and CO2 emissions, quantifying these where possible. Sustained outcomes across all assets are yet to be demonstrated and evidence provided in respect of Council offices demonstrates no marked improvement in energy consumption.</p>	

## Appendix 1 – Use of resources key findings and conclusions

Strategic Asset Management	2
Key findings and conclusions	
<p>Strategic approach. The asset management division has been restructured bringing together key services and providing greater strategic and corporate control and greater clarity. A Property Asset Management Plan has been developed to cover the next seven years. The Plan was consulted on extensively within the Council and with key partners such as the PCT and Council for Voluntary Services and Police. However, the Plan lacks benchmarking information and key performance indicators which will make measuring of success difficult. The Council is aware of these gaps and is taking action to address them. Work is underway to make the borough more attractive to businesses through the construction of two new business centres and setting up a specialist school of entrepreneurship, linking asset management to strategic priorities. An intelligent client function providing improved project and performance management has been established together with a capital delivery function. The benefits of this approach can be seen in progress on the commissioning of the Becontree Leisure Centre where procurement has been completed in time and under budget, with the planned opening of the centre in May 2011.</p> <p>Managing assets to improve VFM. The Council's approach to benchmarking is not yet sufficiently sophisticated to enable comparison across all areas of asset management. Whilst some methods such as the London Property Network and the annual CIPFA survey are used, information available is not comprehensive enough to give a whole picture. This means that the Council cannot be sure it is achieving value for money across all areas of operation of asset management. The CPMO plays a key role in ensuring that a whole life costing approach to asset management has been undertaken since January 2009. Previously this had not been in place. Establishment of the CPMO has resulted in greater control over underspend on capital, where total expenditure was as low as 81 per cent in 2004, improving year on year such that the projected spend for 2008/09 is at 99 per cent. There is an accommodation review of Council office space and refurbishments are in progress with a planned increase in the use of hot-desking.</p> <p>While the provision of social housing has improved significantly in recent years, 45 per cent of the stock does not currently meet the decent homes standard. There is a rolling programme of repairs to address backlog maintenance. However, the Council is establishing a local housing company, which is an innovative approach to managing and developing the housing stock.</p> <p>Partnership and community working. The Council works well with partners and community groups to maximise use of assets for the local community. Examples include provision of police bases for Safer Neighbourhood Teams within Council owned properties, a joint development with the NHS Barking and Dagenham in providing a community hospital facility in Dagenham (Grays Court), the development of a centre for voluntary organisations within a Council asset that will be transferred as a community asset, and management of Community Halls by community groups, with control and empowerment vesting in the community for the use of the hall. The Council is working well with partners to ensure they have adequate facilities in the future. For example, as part of the Community Facilities Review, a successful Lottery Bid of £1m was made to facilitate the conversion of the Council office at Ripple Hall to a facility suitable for use by the voluntary sector. Construction is currently underway.</p>	
Workforce planning - not applicable to London Boroughs in 2008/09	Not scored
Key findings and conclusions : This KLOE will be assessed for the first time in 2009/10.	

# Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Audit Letter 2008/09 Recommendations</b>						
7	R1 Strengthen closedown procedures for 2009/10 to support an efficient accounts preparation process, including the provision of comprehensive working papers and sufficient and appropriate staff support.	3	Director of Finance	Agreed	Work is in hand to ensure that comprehensive working papers will be produced for audit next year. Additional resource will be used if necessary.	30 June 2010
10	R2 Continue to vigorously monitor the financial position to ensure the Council retains a robust level of reserves and balances commensurate with the risks it faces and that emerging budget pressures are addressed.	3	Council and Chief Officers	Agreed	Measures have already been taken to stabilise the financial position and the MTFS has been updated to take account of the final outturn for 2008/09.	31 March 2010
10	R3 Ensure that work on IFRS is sufficiently and appropriately resourced to ensure the Council will meet the implementation timetable.	3	Director of Finance	Agreed	Support will be brought in if deemed necessary.	31 March 2010
12	R4 Implement the action plan to address the issues raised during the Use of Resources assessment.	3	Council and Chief Officers	Agreed	A robust action plan has been produced.	31 March 2010

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