

Annual Audit Letter

London Borough of Waltham Forest

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 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.

Audit opinion

- 1 I gave an unqualified opinion on the Council's financial statements and pension fund on 30 September. The audit certificate closing the audit was also issued on 30 September 2009.
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Financial Statements

- 2 The Council has robust arrangements for producing its financial statements. The draft financial statements which included the pension fund accounts were submitted for audit in June 2009 in accordance with the agreed timetable. These financial statements were complete but contained some errors which have been amended in the final version. The Council prepared and submitted good quality accounts and working papers which did not contain any material errors.
 - 3 Our audit identified some areas where the Council could benefit from reviewing its accounting policies and strengthening some qualitative aspects of financial reporting. We have recommended that a separate bank account be used for pension fund surplus cash to improve transparency and governance.
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Value for money

- 4 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.
 - 5 I assessed the Authority as performing adequately under the new Use of Resources methodology which forms part of the Comprehensive Area Assessment (CAA) framework for 2009. This assessment of adequate, equivalent to a score of 2, applied to two of the underlying themes which make up the overall score, namely Governing the Business and Managing Resources. I assessed the Council's arrangements for Managing its Finances as performing well at level 3. Detailed findings in relation to Use of Resources can be found in Appendix 1.
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Audit fee

6 As shown in Table 1, a small extra fee was required to complete the audit.

Table 1 Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	268,645	259,445	9,200
Value for money	115,000	115,000	0
Pension Fund	38,250	38,250	0
Total audit fees	421,895	412,695	9,200
Non-audit work	0	0	0
Total	421,895	412,695	9,200

7 We are currently completing our work on 2008/09 grants and anticipate that the likely outturn will be within the planned fee of £130k.

Actions

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

Independence

9 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 it accounts for its stewardship of public funds.

Significant issues arising from the audit

- 10 The draft financial statements which included the pension fund accounts were submitted for audit in June 2009 in accordance with the agreed timetable. These financial statements were complete but contained some errors which have been amended in the final version. The Council prepared and submitted good quality accounts and working papers which did not contain any material errors.
- 11 My audit identified some uncertainties in the main financial statements as outlined below as well as some non-trivial errors. These have been outlined in my Annual Governance Report which was presented to the Audit Committee on 24 September 2009. All issues relating to the pension fund were reported in a separate Annual Governance Report which was presented at the same Audit Committee meeting.
- 12 The more significant issues identified at audit related to the Council's accounting policies for its fixed assets. The Council revalues its assets on a rolling five year programme compliant with SORP principles. During 2008/09 assets of £2.9m within the category 'Other Land' with an opening net book value of £47.3m increased in value by £3.7m (120%). Assets of £27.6m within the category 'Other Buildings' with an opening net book value of £358m increased in value by £18.2m (66 per cent). Statement of Recommended Practice guidance is that notwithstanding the basic principle of the five year revaluation cycle the Chief Financial Officer should consider revising asset values at each year end to ensure that the accounts do not include values that are completely erroneous following major and permanent changes in asset values. Given the significant increases in the proportion of assets that were subject to revaluation in 2008/09 there is some uncertainty over the valuations currently accorded to 'Other Land' and 'Other Buildings', although we are satisfied that the figures are not completely erroneous. We therefore obtained a representation from management that the uncertainty is not material.

Material weaknesses in internal control

- 13 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements. However, we have found a number of weaknesses in the operation of some key separation of duties controls within accounts payable, accounts receivable and journal transfers and Internal Audit testing of some payroll controls could not be completed due to missing HR files and documentation. We were therefore unable to rely on their testing of some controls over standing data in the payroll system.

- 14 As a result of the above issues, we were not able to rely on system controls and had to undertake sample testing of income and expenditure transactions included in the year end accounts to gain assurance over the accuracy of the Income and Expenditure account.
- 15 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made to the Audit Committee. We have reported only those matters which have come to our attention resulting from the audit procedures we have performed.

Accounting Practice and financial reporting

- 16 We considered the qualitative aspects of your financial reporting and made recommendations to address areas in which the Councils arrangements could be strengthened further.
 - The Council should consider adding the BVACOP coding structure to SAP. This will enable the production of a trial balance for all transactions and balances for the financial period that can be easily reconciled to the financial statements and produce a clear, easy to follow audit trail.
 - The Council should keep its policy for HRA depreciation under review to ensure that the Major Repairs Allowance remains a materially accurate proxy in future years.
 - The Council should agree a joint working protocol with external audit which agrees areas in which the External Audit Team may expect to rely on Internal Audit work and sets out a target timetable for delivery. It should then ensure that work is delivered on a timely basis.
- 17 Our Annual Governance Report highlighted two qualitative issues in respect of the pension fund accounts. The more significant issue related to the absence of a separate bank account for the pension fund. As the Council is aware, CLG proposes to amend the legislative framework applying to pension fund investments over co-mingling (the practice for an administering authority to 'pool' pension fund surplus cash with its own surplus cash). The new legislation would require the Council to hold such funds in a separate bank account. Holding pension fund cash in a dedicated account would improve transparency and governance.
- 18 The issues identified in our Annual Governance Reports were discussed with the Audit Committee and officers are taking steps to address them in future financial reporting periods.

Grant claims

- 19 During 2009 we audited twelve grant claims with a total auditable value of £236m. Eight claims required some kind of amendment and two claims were issued with qualification letters. Generally claims and the supporting papers had been prepared to a relatively good standard. There were a few areas in which arrangements could be improved. We will summarise these issues in a grants report which will be shared and discussed with officers shortly.

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.

Use of resources judgements

- 20 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.
- 21 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.
- 22 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 key line of enquiry (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

Value for money and use of resources

- 23 The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

Managing finances

- 24 The Council has a robust approach to medium and long-term financial planning, which is fully integrated with service and other resource planning. The three year budget and five year Medium Term Financial Strategy provide the stability to implement cross-cutting efficiency programmes that also deliver service improvements. The corporate cross cutting approach to delivering efficiencies has evolved into a service transformation programme. It has a good understanding of the needs of its diverse communities and a track record in engaging them effectively. This includes impactful budget consultation and participatory budgeting at a local neighbourhood level.
- 25 The Council has a track record in maintaining expenditure within budget. Costs and performance are reviewed and challenged in a supportive and constructive environment. Councillors and managers have a strong commitment and focus on delivering and improving vfm and the Council has reshaped services and continues to build capacity through its Efficiency Review. Internal and external challenge and evaluation are used effectively to drive improvement.
- 26 The Council produces accounts that meet statutory requirements, financial reporting standards and present fairly and publishes good quality accessible reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year. In our Annual Governance Report we have made recommendations to further strengthen the current arrangements.

Recommendation

- R1** Implement the recommendations set out in my Annual Governance Report to further strengthen year end financial reporting arrangements.

Governing the business

- 27** The Council has a pragmatic approach to procurement and has created a mixed economy of service provision. It has a clear and current picture of the supply market, including visibility of off-contract spend. The Council has made progress in developing an approach to sustainable procurement, notably in climate change and energy management and its current processes support local economic development.
- 28** The Council has an embedded internal control framework which enables it to manage its risks, address fraud and corruption issues and manage breaches in internal control. Risk management is embedded into the activities of the Council, helping to deliver the Council's priorities and minimise risk. Certain fraud and corruption arrangements have been a strength for a number of years and the Council's vetting service reflects innovative practice.
- 29** The Council provides robust data and actively uses this to inform decision making, monitor and manage performance. Performance management is effectively driving improvement. Clear accountability for performance management from the top of the organisation is reflected in the approach of Councillors and staff. Effective internal and external mechanisms support a culture of openness with partners and under performance is rigorously challenged. Use is made of complaints and comments to inform learning and scrutiny supports performance improvement.
- 30** Representatives from the private, voluntary and independent sector and young people are involved in challenging performance. Well established performance challenge sessions and performance clinics, involving Councillors and senior managers have led to improvements in several areas, such as adoption and fostering services, housing benefit processing times, and smoking cessation. Scrutiny meetings have been held in local venues to stimulate interest and this has increased public access and participation, particularly amongst young people.
- 31** In order to demonstrate improvement in procurement, governance and internal control the Council needs to provide stronger evidence of robust outcomes in the following areas.

Procurement

- 32** The Council needs to demonstrate that significant savings have been delivered from major procurement and commissioning exercises. For 2008/09 the evidence provided generally lacked examples of significant outcomes that had already been achieved by the Council across the scope of the procurement KLOE.

Value for money and use of resources

Governance

33 The Council has established governance arrangements. However, these have been undermined recently by a poor governance culture surrounding some areas of procurement. The Council needs to ensure that the findings of the Independent Panel established in 2009 and any necessary action plans are robustly implemented to address this area of weakness. The Council should also consider making details of hospitality, expenses and interests of all Members and Senior Officers available to local residents on the Council's website.

Internal control

34 During 2008/09 risk management of partnership risks was developing but not fully embedded. Our work found that some risks on partnership maps were not on the Council's JCAD system. In addition we were not provided with examples of significant outcomes achieved through the Council's risk management arrangements such as: evidence that all members have had risk management training tailored to their own needs and responsibilities; evidence that partnership arrangements for risk management are fully embedded; and that improved outcomes have been delivered through effective partnership risk management.

Recommendations

R2 The Council needs to ensure that the findings of the Panel established in 2009 to investigate long standing non compliance with procurement policies and procedures are considered on a timely basis and any necessary action plans are robustly implemented.

R3 The Council should consider making details of hospitality, expenses and interests of Members and Senior Officers available to local residents on the Council's website.

Managing resources

35 Appendix one details the arrangements operating during 2008/09 to manage the Council's natural resources and its assets. We assessed the Council as performing at level 2 in both areas. Whilst ambitious improvement programmes are in place the Council cannot yet demonstrate that it is delivering significant outcomes as a result.

36 Such outcomes for natural resources could be the results of:

- having reliable information which is used to monitor performance and manage progress in achieving the environmental strategy and communicating performance against the strategy to the public, stakeholders and staff;
- sustainability impact appraisals being undertaken for all major projects and programmes;

- considering the environmental impact of its suppliers of goods and services within its commissioning and procurement decisions and working with them to achieve improvements; and
 - using its partnerships to help it to reduce impacts on the environment.
- 37** To improve its asset management further the Council needs to show it is consistently:
- comparing its performance through benchmarking against other similar asset holding organisations;
 - improving the overall condition of the asset base, reducing health, safety and security risks from its assets; upgrading and modernising facilities; and protecting architectural and historical heritage where applicable;
 - working with partners in developing a long term strategic approach for all assets used by public bodies across its area; and
 - exploring alternative models of sharing, ownership and management of public sector assets with its key partners.

Recommendation

- R4** The Council should consider the use of resources issues raised in this letter and oversee the action plans put in place in response.

VFM conclusion

- 38** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 39** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Local risk work

- 40** 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.
- 41** The main conclusions from this work are summarised in the paragraphs below.

Value for money and use of resources

Health inequalities

- 42 During 2009 I undertook a review of Health Inequalities in Waltham Forest. The work found that there is a broad and shared understanding amongst NHS and local government partners that reducing health inequalities is an important issue for Waltham Forest and this is backed up by appropriate policies and strategies. Some improvements were identified including:
- the need to ensure that the sponsorship of all health inequalities actions are made more explicit;
 - an increased role for the voluntary sector, service users and carers; and
 - greater clarity in the cross cutting approach towards corporate responsibility.
- 43 The overall conclusions were reported to the Local Strategic Partnership Board in July. Since then, to help the partnership identify ways in which it can narrow the inequalities gap we have shared some details of projects and initiatives undertaken in other areas and copies of case studies of positive interventions outlined in the Faculty of Public Health's 'Stepping up report'.

Closing remarks

- 44 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 14 January 2010 and will provide copies to all Committee members.
- 45 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.

Table 3

Report	Date issued
Annual Governance Report	September 2009
Health Inequalities	July 2009
Use of Resources report	October 2009

- 46 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.

Managing finances

Theme 1: Managing finances score 3	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
<p>The Council has a robust financial strategy which is integrated with strategic planning of the Council and key partners. Corporate challenge provided through the Service Planning Process (SPP) ensures that financial resources are targeted to priorities. The Medium Term Financial Strategy (MTFS) and annual budgets are prepared and approved on a timely basis, clearly link to service plans and show how spend, growth and efficiencies contribute to priorities. They use performance and financial data, including activity analysis to benchmark and challenge the use of resources; reflect the impact and cost of significant developments; communicate policies for individual fees and charges which are approved by members and periodically benchmarked.</p> <p>Budgets are agreed for three years and the MTFS extends to five years providing a stable planning framework over the medium/long term. The MTFS incorporates a soundly based policy on reserves. Budget assumptions are formally reviewed by members in July and updated during the year. The Council divested itself of investments in Icelandic banks early in 2008 avoiding any financial losses and updated its forecast of income receipts. Budgeting tools allow different scenarios to be modelled in response to member’s queries supporting decision making. Plans reflect a corporate structured medium term approach to service reviews which deliver savings and efficiencies on a cross cutting basis including invest to save initiatives.</p>	

Appendix 1 – Use of resources key findings and conclusions

The Sustainable Community Strategy (SCS) reflects the needs of the boroughs diverse communities and following extensive engagement there is strong commitment to what the Council and its partners are trying to achieve. An effective framework for community engagement is based on corporate and service area led programmes. Engagement focuses on specific neighbourhood localities through six Community Councils which manage local budgets of £35-45k. In 2008 these were used for improvements to parks and green spaces. The Council can demonstrate it considers the results of the EIAs in its decision making. Responding to concerns raised during consultation the 2009 budget provides for: a lower CT increase; paying suppliers within ten working days; permitting CT payments over 12 months; and extra funding for the CAB.

The Council has a history of maintaining expenditure within budget. In 2008-09 it underspent against total budget by £396k. Year end balances were at expected levels. Volatile areas such as children's placements are identified at an early stage and budget pressures offset by obtaining extra income and compensating efficiencies. At year end 83 per cent (15) of finance PIs were met or exceeded. The Council has performed well against targets for debt collection taking into account the economic climate. Out turn PIs show improvements in priority areas (affordable and decent homes, social care, and educational attainments).

The Council is open and transparent on financial issues and there is a good understanding and routine challenge of financial performance and assumptions. Throughout the year the Leadership Team, Cabinet, Audit Committee and various scrutiny committees provide constructive scrutiny and challenge to financial plans to ensure they are robust and fit for purpose. Arrangements are reviewed regularly to ensure they remain fit for purpose. Stage 2 of the 2008 second efficiency review reviewed the finance function across the council resulting in plans to deliver service improvements and significant savings which are currently being implemented. Annual training events ensure council staff and key partners are updated on key developments for financial and service planning.

KLOE 1.2 (understanding costs and achieving efficiencies)

Score

3

VFM criterion met

Yes

The Council has a strategic objective for excellence focused on service improvements and vfm. Robust service planning and performance management tools, regular training and clear guidance help staff to deliver these targets, 75 per cent were achieved at year end. Across the council comprehensive and detailed information on costs and performance is used to review the extent to which vfm is being delivered. There is a good understanding of costs together with detailed analysis as to how savings can be achieved. The Council's Smarter Spending Programme applies a corporate, medium term, cross cutting approach to service reviews and targeting efficiencies without adversely affecting front-line services. The first wave of the programme consolidated common functions in 2008/09 and delivered full year savings of £5.3m. The second wave targets savings of £23.7 million over three years, facilitating re-investment in social care and environmental services and helping to keep Council tax increases below 2.5 per cent. Detailed initiatives contain comprehensive details of service costs and a range of detailed options for change. Staff were fully engaged in the process and records show how alternative proposals were considered and supporting rationales where they have been rejected. Monthly finance reports contain progress reports on the extent to which savings are being achieved and identify remedial actions where appropriate.

Appendix 1 – Use of resources key findings and conclusions

Whole life costing is used and the service planning process takes into account long-term costs and benefits, including environmental and social and takes account of these when making decisions and monitoring outcomes. It also uses benchmarking data to support decision making.

The Council can demonstrate that it is routinely making use of comparative and comprehensive cost information and that a reduction in unit costs is being achieved. For example in the review of Highway Services, Street lighting review and outsourcing of the remaining Highways DLO. An overall improved ratio between costs and outputs is shown in vfm profiles, most notably for Key Stage 2 and GCSE, Children’s Social Care, Adults Home Care, Adults Learning Disabilities, Street Services, Trading Standards, ICT, Homelessness, Housing Repairs, Libraries, Housing Benefits and Accountancy. However performance in relation to planning has declined and recycling levels are low compared to peers.

The Council identifies efficiency savings and actively monitors performance on a quarterly basis for NI 179 and monthly for detailed efficiency programmes. Projected efficiency savings are detailed and specific and the Council has a positive track record in achieving cashable efficiency savings. In 2008-09 the Council set aside invest to save reserves and created a Smarter Spending team in order to deliver efficiency savings to fund priorities. Targets have been met in recent years, and improvements in vfm made through robust alignment of budget and performance.

The Council has cut costs and improved service delivery through various IT projects. The SAP system achieved a Return On Investment of 72 per cent over five years, translating to net benefits of over £5.3 million. The Access2Services programme meets costs on an invest to save basis and has improved accessibility to services. On line submission of agency staff time sheets has improved the flow/availability of performance information and achieved annual savings around £0.5m. The Community Toilet Scheme increases the availability of borough toilet facilities including those for disabled users while saving £0.4m annually. Plans to deliver shared services through East London Shared Solutions (ELSS) demonstrate potential efficiency savings. The Council is undertaking the programme management role on behalf of partner boroughs with funding from Capital Ambition.

KLOE 1.3 (financial reporting)

Score

3

VFM criterion met

Yes

The Council has robust processes for financial monitoring and forecasting and has established a performance management framework to monitor and manage the performance of key partnerships. A review of cabinet reports confirmed that members receive regular timely comprehensive financial (monthly) and performance reports (quarterly) which contain relevant, understandable, and accruals based information, providing a clear link between the budget, in year forecasts and outturn position. Action plans indicated how identified variations in actual/forecast performance were being addressed. For key financial PIs reports showed graphical direction of travel and comparisons to previous years. Actions plans for managing emerging overspends and delivering efficiency savings were risk assessed and updated monthly. Reports also identify any potential legal, HR, equalities or climate change impacts. In 2008/09 forecasts were relatively stable from one period to the next. Transparency of performance is reflected in the accounts (note 24) which shows how the accounts reconcile to management information.

Appendix 1 – Use of resources key findings and conclusions

Quarterly cabinet performance reports integrate financial aspects of performance and ensure that members receive regular timely reports that are clear, relevant and concise. The reports are structured under corporate priorities and highlight areas of good performance and underperforming areas. For underperforming areas action plans are presented which include Equality Impact Assessments. The reports include a risk assessment and also highlight feedback from any performance clinic reviews. They place a strong emphasis on performance outcomes, vfm, efficiencies, highlighting the drivers of poor performance and present risk assessed options for managing it. For example they highlight the link between strong/poor performance in one area on other PIs. The accompanying action plans demonstrate that the Council takes timely steps to manage potential overspends without adversely affecting delivery of services or corporate priorities.

The Council produced good quality draft accounts within timetable which were subject to robust scrutiny by Members. There is on-going and constructive liaison with external audit. The audit process ran smoothly and no material errors were identified by the audit. The audit committee has received training on the preparations required for IFRS.

The 2008 CA found that the Council communicates its performance well and that effective communication supports the understanding of performance by staff and residents. Residents are informed of the Council's performance through the Council's magazine, WFM, delivered to every household fortnightly. The accounts and council tax guide demonstrate how plain English and graphical information has been used effectively to explain complex information to the public. The Council's website provides access to a wide range of reports including the Audit Letter and accounts which clearly cover diversity issues. All reports to cabinet include EIAs which demonstrate a thorough knowledge of the local communities. All documents can be requested in a range of accessible formats including a translation service, this offer being given in the six most common languages across the borough.

Residents are consulted annually on the content, format, presentation and accessibility of the annual report. The results inform future reporting arrangements. The Council's annual report, climate change strategy and carbon management plans provide a robust and comprehensive analysis of the Council's environmental footprint including its methodology, assumptions and savings targeted. The strategy was prepared following strong engagement with local residents and business.

Appendix 1 – Use of resources key findings and conclusions

Governing the business

Theme 2: Governing the business score	2
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
<p>The procurement vision and strategy have been developed with reference to the Council’s Sustainable Community Strategy (SCS) and a joint strategic needs assessment, undertaken with Waltham Forest PCT. There is a clear 3 year procurement action plan and the commissioning strategy sets out how the Council will work with key partners to design and plan services to meet local health and social care needs over a five-year period.</p> <p>The Council has developed a vision for the borough based on an analysis of local needs and concerns reflecting the major challenges facing the borough. The SCS has been developed through an examination of the evidence base, by researching the key social, economic and environmental trends affecting the borough. It sets out the borough’s ambitions, its principles and priorities. In developing the SCS the Council consulted widely and extensively. Public consultation used a variety of methods: surveys with adults and children; internet polls; discussion workshops; roadshows; community meetings; and internet diaries.</p> <p>The Council held a procurement conference in March 2009 to allow suppliers to feedback on the Council's contracting arrangements and ways to improve working relations. Opportunities for community involvement have been promoted by various publicity campaigns and more than 2,500 residents, businesses and stakeholders have been consulted.</p> <p>Access to services has been improved by a variety of initiatives, such as the ‘My Place’ project. The ‘OneCard’ smartcard allows payments to be made at some 130 locations across the borough, reducing the volume of cash payments, and has been rolled out to some schools for use by staff and pupils. The GovMetric tool has been deployed across the main customer channels to measure levels of satisfaction on a consistent basis also allowing benchmarking against other authorities. Other improvements to accessibility include online booking for the registrar’s office and hiring of public rooms. The Council has implemented SAP and e-invoicing allowing automatic matching and payment for correctly completed and good-receipted invoices and 95 per cent of council spend is now processed via e-procurement.</p> <p>The Council has improved its understanding of the supply market by, for example, implementation of a concordat with local businesses and by the delivery of training for suppliers on how to bid for Council work. The Council has a pragmatic approach to procurement and has created a mixed economy of service provision, it has a clear and current picture of the supply market, including visibility of off-contract spend. The Council has made progress in developing an approach to Sustainable Procurement, notably in Climate Change and Energy Management and its current processes support local economic development.</p>	

The updated Efficiency Review programme and Smarter Spending Programme have reviewed key support services including human resources, performance and ICT, saving in excess of £2 million. The Council plans to undertake a further programme of service reviews that will aim to identify service and value for money improvements.

KLOE 2.2 (data quality and use of information)

Score

3

VFM criterion met

Yes

The 2008 DQ audit found that the Council had sound management arrangements in respect of data quality (DQ) in terms of leadership, people and skills supported by good policies and procedures, systems and processes including, risk based systems testing and exception reporting to senior management teams. An agreed framework ensures that key partners follow similar data validation procedures for PIs. The Council has a track record in providing robust performance and financial information. There have been no qualified PIs over the last five years and no qualified grant claims in 2008. Our 2009 work on PIs, accounts, financial systems and grant claims has not identified concerns regarding data quality.

A mainstreamed and co-ordinated approach to performance information supports decision making at all levels. This includes the SPP process (KLOE 1.1). Councillor and officer commitment to managing performance is good and there is rigorous challenge by officers, Members and partners. The Excelsis performance management system links service plans to key PIs which align to the SCS and the council's core values. In 2007 the Council benchmarked its arrangements with best practice councils and consulted members, scrutiny chairs and the Leadership Team before strengthening its reporting arrangements to incorporate performance measures around VFM, finance, strategic projects, risks and learning actions from inspections and complaints. Members receive quarterly reports of summary performance against corporate priorities which help them understand the drivers of poor performance and present risk assessed options for managing it. There is clear evidence that review and challenge help deliver service improvements.

The Council has upgraded systems to improve data collection and recording enabling 'collect once use numerous times'. Up to date data security policies and guidance is in place together with extensive training and user support. Systems are protected by discrete access levels and include system generated controls to ensure data quality and reduce the risk of data input error. Business continuity and disaster recovery plans are in place.

The 2008 CPA found performance management was performing well and effectively driving improvement. Clear accountability for performance management from the top is reflected in the approach of councillors and staff. The SPP process integrates financial and performance planning and draws on benchmarking, satisfaction surveys and trends. Use is made of complaints and comments to inform learning and scrutiny supports performance improvement. At year end targets had been met or exceeded for 61 per cent of key indicators.

The Council and LSP board challenge and support continuous improvement in priority areas during the SPP and interventions throughout the year including performance clinics, performance challenge sessions, performance improvement scrutiny and stock take sessions. These interventions have moved performance back on track in key areas and inform the SPP for the following year. From the evidence provided over the last two years improvements were achieved for 80 per cent of the areas reviewed at challenge sessions. For example recently action taken to improve turn around of voids has improved rates from 46 days in 2008 to 25.5 days in 2009. Interventions on NI 135 carer needs assessments have increased rates from 9.5 per cent to 18.20 by year end exceeding target.

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>The Council’s constitution clearly sets out how decisions are made and it has procedures to ensure that these are transparent and accountable to local people. Executive members take a lead on their portfolios. Good leadership and constructive relationships result in open and transparent decision making.</p> <p>Staff are self-motivated and benefit from a range of development activities. Councillors are supported by a training and development programme including mentoring. However Personal Development Plans for Members have not yet been put in place despite the intent stated in the 2007 Governance Report.</p> <p>A clear vision for the borough has been developed with partners based on a robust analysis of local needs and concerns. The ambitions for the community set out in the SCS and LAA reflect the major challenges facing the borough, national priorities and the diversity of the community. There is strong support and ownership for the ambitions of the Council. Councillors, managers, staff, statutory partners and voluntary and private sector organisations understand the ambitions as a result of their extensive engagement in their development.</p> <p>The Council’s LDP has been updated to reflect current legislation and the Standards Committee have received regular briefings. Training has been provided jointly in partnership with Newham and Tower Hamlets. The Committee receives reports every meeting on different aspects of the Code of Conduct as part of ongoing training. An annual Ethical Monitoring Report is produced and the Code of Conduct includes declarations of interests and hospitality. Guidance to members is provided on the Council website. Member’s allowances are published annually in the Council newsletter however details of hospitality, expenses and interests of Members and Senior Officers expenses are not made available on the Council website although the Register of Gifts and Hospitality is available for public viewing in hard copy format.</p> <p>Arrangements are in place to learn from customer complaints and comments which are used to support learning and performance improvement.</p> <p>The Audit Commission has previously commended the Council’s whistle blowing policies which have proven to be effective in encouraging staff within the council and partnerships to report concerns. All complaints are investigated by accredited Counter Fraud Specialists. A follow up culture survey undertaken in 2008/09 has shown that staff have good levels of awareness and confidence in whistle blowing arrangements. Almost all referrals come from people employed by the Council or its partners.</p> <p>Arrangements to monitor compliance with standards and procedures have not been adequate. Long standing lack of compliance with procurement rules were not identified and addressed by line management and internal audit but were brought to notice through whistle blowing procedures.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Previous UOR assessments confirmed that risk management is being embedded and informs key corporate and strategic planning, including the main partnership plans. It forms an integral part of the service planning process, and project management arrangements, and is used as part of quarterly performance reporting at council level. Councillors receive training in risk management. The Council is taking effective action to minimise and manage risk.</p> <p>The Council implemented new risk management software 'JCAD' in 2008. An estimated 85 per cent of risks are now recorded using JCAD although some officers continue to use local spreadsheets to manage risk. Areas not yet fully incorporated into JCAD include some partnership risks and project risks. The Corporate Risk Management Group meets on a quarterly basis, senior officer representation is variable across Directorates. The Audit Committee takes an active interest in risk management receiving quarterly reports. Since 2008 they have requested and received presentations on specific partnership risks.</p> <p>There is an embedded framework in place that is supported by a risk based programme of proactive and reactive anti-fraud work by Internal Audit. Cases of proven fraud are appropriately publicised and reported to the Audit Committee.</p> <p>The Council has a pro-active vetting system which has received national recognition and requests for vetting from other London Boroughs and the NHS CFSMS and for training workshops to CIPFA staff. All new employees, consultants, companies and internal transfers are subjected to an anti-fraud vetting in addition to HR recruitment checks. In 2008 1019 vettings resulted in 32 failures, 22 of which were agency staff. Majority of failures relate to manual workers e.g. cleaners.</p> <p>The Audit Commission has previously commended the Council's whistleblowing policies which have proven to be effective in encouraging staff within the council and partnerships to report concerns. All complaints are investigated by Accredited Counter Fraud Specialists. The Council has a sanctions policy which is applied by the CAAFT team. Sanctions have increased from 45 to 144 over the last three years and the number of prosecutions increased to 15. The Council has robust arrangements for participating in NFI work and was accredited in the 2007-08 AC NFI Good practice report.</p> <p>Arrangements are in place to maintain a sound system of internal control. There is an effective Audit Committee which provides robust challenge and considers relevant and appropriate reports often inviting officers to provide additional representations in areas of concern. To address some capacity issues with internal audit the service has been contracted out to the South London Partnership from 2009/10. Systems are generally sound although improvements need to be made in some key areas. There is a corporate approach to the production of the Annual Governance Statement.</p> <p>The 2008 CPA found that the Council has up to date emergency and business continuity plans for vital services and intends extending these to other services in 2009. However an internal audit report in December 2008 identified a number of areas for improvement.</p>	

Appendix 1 – Use of resources key findings and conclusions

Managing resources

Theme 3: Managing resources	2
KLOE 3.1 (use of natural resources)	
Score	2
VFM criterion met	Yes
<p>The Council is clearly committed to the sustainability agenda and reducing the impact of its activities. It has a strategic approach to tackling climate change, but with limited outcomes to date. Working with the Carbon Trust it has undertaken a Carbon foot-printing assessment for its services and the borough as a whole which has a comparatively low level of emissions due to deprivation levels. It has prepared a Carbon Management Plan aiming to reduce CO₂ by 20 per cent by 2012. Forty one supporting projects are at varying degrees of implementation while funding applications (internal and external) have yet to be agreed. Environmental issues are considered in all key decisions and major developments are subject to sustainability appraisals. All new large commercial, industrial and residential developments are required to have 20 per cent of their energy from on-site renewable energy sources.</p> <p>The Council has a good understanding of how it consumes natural resources. It has comprehensively reviewed its carbon footprint, quantified emissions from buildings and also calculated an electricity footprint including street lighting. Council transport fleet fuel emissions have been calculated as well as emissions from the Council's principal contractor (services include waste management, recycling, leisure centres and roads and parks maintenance). Work is ongoing, supported by a consultant to measure the energy use of all council suppliers including third party suppliers and it has worked with its ALMO to measure emissions from residential properties.</p> <p>A Carbon Footprinting tool has been created which enables past and future emissions to be calculated on an ongoing basis and allows for future developments and technical innovation. An exercise has been undertaken to project emissions growth from commercial and industrial developments. The Climate Change Strategy (CCS) is linked to the SCS and sets out a long term target to reduce emissions by 80 per cent by 2050.</p> <p>Key sectors of the community were consulted about the actions to be included in the CCS. A draft Carbon reduction scenario was presented in a workshop format to various groups representing the Council, Councillors and Community Council Chairs, Representatives of the LSP, and external, regional bodies with specialist knowledge of the policy context, residents and the voluntary sector, Businesses and Social Enterprises.</p> <p>An Action Plan, delivery plan and long term and immediate priorities have been identified including:</p> <ul style="list-style-type: none"> • a strong focus on behaviour change initiatives, as domestic emissions are higher than average for London; • work with TfL to improve north to south travel through the borough; • a move to whole life costings for building refurbishment and construction ensuring that budget constraints do not outweigh long term benefits of sustainable projects; 	

- progress the Council's Staff Travel Plan;
- consideration of on-street recycling bins to sit alongside standard litter bins; and
- developing a Climate Change Champions network across the LSP.

The Council is taking action to reduce its environmental impact and has made improvements to the quality of the environment in line with its priority. It has identified buildings and staff commuting as significant factors and is taking remedial action. A staff Travel Plan has been devised but awaits agreement and funding. Projects to rationalize printers/photocopiers and install mains water coolers have delivered demonstrable reductions in emissions. The recycling rate has improved from 10 per cent in 2003 to just under 30 per cent in 2007/08 following the introduction of compulsory recycling in 2007. A successful Parks for People Lottery Bid is funding £4 million of improvements to Lloyd and Aveling Park and Green Flags have been awarded for Coronation Gardens and Langthorne Park. The Stage 2 bid was submitted in July 2009 and the Council is currently awaiting the outcome. Green Flags have been awarded for the third year in succession at Coronation Gardens and Langthorne Park.

KLOE 3.2 (strategic asset management)

Score

2

VFM criterion met

Yes

The Council produced a strategic asset management plan (AMP) for 2008/10 and supporting service asset management plans. It has also produced one AMP update document to account for outcomes and changes to priorities and objectives arising during 2007/08. The plan identifies scope for rationalization, identification of surpluses and disposals. The Council has recognized the need to extend its planning horizon to a longer period than three years. A target of some £80m has been set for property disposals to 2012/13. The plan is linked to the capital strategy, showing how spending will be financed from capital receipts, supported and unsupported borrowing, and BSF and other grants. Property is a corporate function with some delegation to services. There is a member responsible for property. A programme of property surveys has been established and commenced.

There is comprehensive information about the estate in terms of asset register standing data and size/ type/ valuation. Management information is produced about assets' condition, fit-for-purposeness, maintenance requirement and backlog, premises running costs. Benchmarking activity is undertaken but it has been recognised that the chosen indicators need to be more explicitly linked to objectives in the asset management plan. The need for holding assets is challenged and assets suitable for disposal are sought out. An energy strategy was adopted in 2008 which seeks to reduce carbon dioxide from, amongst other things, council buildings.

The Council has completed phase 1 of its accommodation strategy and this led to reductions in assets, notably the closure of two large office locations. IT solutions enabled more remote working and better utilisation densities in offices. Phase 2 has begun which will roll out the programme to a large number of smaller buildings. A number of property performance indicator targets have not been achieved, albeit that the performance has improved over the past three years. These include the condition and suitability property indicators and energy and water consumption indicators. The Council also failed to achieve its target on asset sales, realising £6m in 2008/09 against its target of £12m, and it attributes this to the recession.

Appendix 1 – Use of resources key findings and conclusions

The Council has worked in partnership with other organisations, including the PCT, third sector and this has led to the integration of some reactive repair work with the PCT. Mapping of non-Council properties (eg PCT properties) has been achieved. Assets let to partner organisations include (parts of) the Council's depot for street services, contract delivery, and lettings to the police for their neighbourhood centres. The Strategic Land Use Group was formed in 2008/09 to consider a joint approach to assets between the Council, police and others.

The third sector uses assets owned by the Council. Leases are the preferred vehicle as the Council prefers to retain overall control of assets and would want to maximise receipts in the event of freehold transfer. A third sector policy has been drafted but not yet adopted.

KLOE 3.3 (workforce planning) not applicable to London Boroughs in 2008/09

Score

VFM criterion met

Will be assessed in 2010.

Not applicable in 2008/09

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
9	R1 Implement the recommendations set out in my Annual Governance Report to further strengthen year end financial reporting arrangements.	2	Chief Accountant	Yes	Work is in hand to address these issues for 2009/10.	30 September 2010
11	R2 The Council needs to ensure that the findings of the Panel established in 2009 to investigate long standing non compliance with procurement policies and procedures are considered on a timely basis and any necessary action plans are robustly implemented.	3	Chief Executive Monitoring Officer	Yes	Action plans are in development.	30 September 2010
11	R3 The Council should consider making details of hospitality, expenses and interests of Members and Senior Officers available to local residents on the Council's website.	2	Chief Accountant	Yes	This will be considered as part of the financial reporting process for 2009/10.	30 September 2010
12	R4 The Council should consider the use of resources issues raised in this letter and oversee the action plans put in place in response.	2	Director of People, Policy and Performance	Yes	This will be addressed in providing information for the 2010 assessment.	30 September 2010

The Audit Commission

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