

Meeting:	Cabinet
Date:	17 March 2008
Subject:	Annual Audit and Inspection Letter
Key Decision: (Executive-side only)	No
Responsible Officers:	Myfanwy Barrett Corporate Director of Finance Jill Rothwell Corporate Director of Strategy and Business Support
Portfolio Holders:	David Ashton Deputy Leader and Portfolio Holder for Finance and Portfolio Co-ordination Paul Osborn Portfolio Holder for Strategy and Business Support
Exempt:	No
Enclosures:	Annual Audit and Inspection Letter

Section 1: Summary and Recommendations

This report relates to the Annual Audit and Inspection Letter.

Recommendations:

That Cabinet notes the Annual Audit and Inspection Letter and the Council's response.

Reason

To publish the Annual Audit and Inspection Letter and ensure that the Council is responding to the issues raised in the letter.

Section 2: Report

1. Each year the Audit Commission produces an Annual Audit and Inspection Letter (AAIL) which summarises the findings from all the audit and inspection activity in the period in question.
2. This AAIL covers the audit of the 2006-07 accounts, the Use of Resources assessment carried out in 2007, and the direction of travel assessment which was published in December 2007. It also captures inspection activity up to the end of 2007.
3. The Council's response to the letter is set out below. In summary plans are in place to ensure that the Council improves both its performance rating and direction of travel in the coming year.

Key Messages

4. The key messages are set out on page 4 of the AAIL and are duplicated below for ease of reference:
 - The Council's appointed auditor provided an unqualified opinion on the 2006-07 accounts and the Use of Resources score remained at two which indicates that it is "at only minimum requirements – adequate performance".
 - Financial standing remains a key concern with the level of the Council's reserves significantly lower than the Council's reserves policy requires, despite cost savings delivered over the last 12 months
 - Performance in children and young people's services and housing benefits has improved, but the rate of performance improvement in some other priority services is below other Councils. Most notably street cleaning, housing services performance has declined and adult social care services have retained a one-star rating.
 - Through clear leadership the Council has clarified its vision and priorities for the area and it is implementing a comprehensive improvement programme to support cultural change and develop the capacity of councillors and senior officers

Audit of the Accounts and Value for Money

5. Over the last 3 years members and officers have worked very hard to resolve the Council's financial problems and the medium term financial strategy reflects the importance of increasing general reserves.
6. The Corporate Director of Finance is taking action to ensure that the process to produce the 2007-08 accounts and support the audit is effectively project managed. The issues raised in the detailed report on the accounts, the Annual Governance Report (ISA260), are being addressed.
7. In relation the Use of Resources, very significant progress has been made in the last year and the plan to improve the score to 3 in the 2008 assessment has been approved by the Corporate Strategy Board. In particular, the Council is on track to

come in on budget this year, and to add £1m to general reserves as planned (this is critical for financial standing). The 2008-09 budget process was successful and effectively integrated with the development of the corporate plan. A mini self assessment has been conducted in the last few weeks to ensure that there are no gaps.

Performance and Direction of Travel

8. The Audit Commission's overall judgement is that Harrow Council is improving adequately and they have classified Harrow Council as two-star in its current level of performance under the Comprehensive Performance Assessment.
9. The Council was disappointed with the direction of travel report. However, the Audit Commission does recognise that progress is now being made, and in particular that the Council works well with partners, has clarified its vision and priorities for the area, and that this is supported by clear leadership and a comprehensive improvement programme.
10. Over the last year the Council has increased the focus on service performance through the implementation of the new Improvement Board structure. This model is designed to ensure that progress against key indicators is regularly monitored and challenged. The Council is very clear about what it needs to achieve to increase its star rating to 3 overall and plans are in place in each service area to improve the performance level.

Service Inspections

11. Service inspection activity is set out in pages 8 and 9 of the AAIL.

Looking Ahead

12. The AAIL highlights the need for the Council to prepare for the new Comprehensive Area Assessment (CAA) regime and the move to International Financial Reporting Standards (IFRS). The new CAA regime includes a revised approach to Use of Resources that has much wider scope and includes topics such as sustainability. Work is underway in both these areas to prepare the Council for the changes.

Audit and Inspection Activity in 2008-09

13. The Audit Commission has produced a draft plan for 2008-09 and this will be reported to Cabinet in May.

Peer Review

14. A peer review was carried out by the Improvement and Development Agency (I&DeA) last December. This review was intended to give an up to date view of the organisation and the progress made in the last year and since the Corporate Assessment. It gives a more up to date view than the Audit Commission CPA results which are largely based on performance up to March 2007. The draft report commended the momentum for delivering change in the organisation and fully endorsed the direction of the current change programme. It showed that the Council has strengthened its leadership and clarified its priorities. However there is still much to do in the organisation to deliver a step change in performance. The final report is expected in March and will be brought to Cabinet.

Financial Implications

15. The AAIL covers the audit of the Council's accounts for 2006-07 and the Use of Resources assessment carried out in 2007.

Performance Issues

16. The AAIL confirms that the Council is 2 star improving adequately and is therefore one of only two Councils in London with this star rating. For the Council to progress to 3 star it will need to improve its Adults and Use of Resources scores to 3 out of 4, and ensure that no service falls back to 1 out of 4.
17. There is a Use of Resources action plan that attempts to secure a score of 3 out of 4 for 2008/09 and improving financial standing is critical to this.
18. A plan is being developed to focus efforts in Adults on achieving a 3 out of 4 for 2008/09 although this is expected to be a significant challenge and will in part depend on the outcomes of the recent Learning Disability inspection.
19. Close monitoring is taking place of all key indicators through the improvement boards to improve scores where possible by year end and to minimize risks of any slippage.
20. The Direction of Travel judgement is necessarily based on performance data up to March 2007 and is therefore not the most recent picture. The recent peer review gave an up to date picture as of December 2007 and instead noted significant improvement in Council performance and gave particular endorsement to the momentum and direction of change. It fully endorsed the 9 step improvement plan which has been put in place.

Section 3: Statutory Officer Clearance

Name: Myfanwy Barrett	<input checked="" type="checkbox"/>	On behalf of the Chief Finance Officer
Date: 6 March 2008		
Name: Hugh Peart	<input checked="" type="checkbox"/>	On behalf of the Monitoring Officer
Date: 6 March 2008		

Section 4: Performance Officer Clearance

Name: Tom Whiting	<input checked="" type="checkbox"/>	Divisional Director (Strategy & Improvement)
Date: 6 March 2008		

Section 5: Contact details and background papers

Contact: Myfanwy Barrett, Corporate Director of Finance
020-8424-9269

Background Papers:

None