

Annual Audit and Inspection Letter

London Borough of Harrow

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Harrow Council performing?	5
The audit of the accounts and value for money	8
Looking ahead	11
Closing remarks	12

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.
-

Key messages

- 1 Harrow Council has improved well during the last year. The rate of improvement in performance indicators has accelerated and is above the national average, with two thirds improving over the last year. Performance has improved significantly in housing, culture and recycling and good progress has been made in priority areas such as children's services and housing benefits
- 2 The Council has improved its use of resources score. Effective action has reduced costs and value for money is now good;
- 3 Adult social care services now have promising prospects, although more progress needs to be made in this area;
- 4 Harrow's general fund reserves increased from £1.4 million at 31 March 2007 to £3.0 million at 31 March 2008. The Council complied with its reserve policy in 2007/08 to add £1 million to general reserves each year until such time as general balances exceed £5 million. This remains a significant challenge in both short and medium term for the Council.
- 5 The Statement of Accounts were closed and prepared in accordance with the timetable, however, during our work we noted three material misclassifications, which were subsequently adjusted in the statement of accounts. The Council needs to continue to focus on meeting the reporting timetable whilst maintaining quality standards of all deliverables and ensuring compliance with the applicable SORP.

Action needed by the Council

- 6 The Council should:
 - ensure it maintains its focus on improving adult social care services and specifically prioritises improvements in services for people with learning disabilities;
 - make further progress to address resident satisfaction and general access to services;
 - ensure that it complies with its reserves policy; and
 - re-examine its reporting processes to ensure effective implementation of the changes in SORP requirements and to minimise the adjustments that need to be identified through the audit.

Purpose, responsibilities and scope

- 7** This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. (It also includes the results of the most recent corporate assessment.)
- 8** We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9** This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website.)
- 10** Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, he will review and report on:

 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11** This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12** We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Harrow Council performing?

13 The Audit Commission’s overall judgement is that Harrow Council is improving well and we have classified Harrow Council as 2 star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



Percentage figures may not add up to 100 per cent due to rounding

Source: Audit Commission

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	2 star
Corporate assessment included in overall CPA judgement in 2007	2 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	2 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	2 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

14 Harrow Council is improving well. The rate of improvement in performance indicators has accelerated and is above the national average, with two-thirds improving over the past year. Performance has improved significantly in housing, recycling, composting and use of resources. The Council has further improved in priority areas such as children's services and housing benefits. Adult social care services now have promising prospects and good progress has been made supporting carers. More progress needs to be made in services for people with learning disabilities, increasing resident satisfaction and access to services. Partnerships are getting stronger and are working well to address local needs. For example, teenage pregnancy rates have reduced significantly and a jointly funded police team is a visible presence in the town centre. Levels of crime are low and fear of crime reducing. Effective action has reduced costs and increased financial reserves. Value for money is good. The Council is realistic and ambitious about outcomes. Decision-making is well-informed and favours prudent, longer-term strategic solutions. Governance and leadership are strong. The Council has now focused its resources, which is enabling it to deliver its priorities.

How is Harrow Council performing?

Service inspections

15 An important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

CSCI Adult Social Care Performance Judgements for 2007/08

16 CSCI's Annual Performance Assessment of Social Care Services for Adults in Harrow judged the delivery of outcomes as 'adequate' and the Council's capacity to improve services further as 'promising'. Areas for improvement are contained in the report that can be found on the CSCI website.

Ofsted Annual Performance Assessment of Services for Children and Young People in the London Borough of Ealing 2008

17 The overall 2008 CPA Children and Young People Service score for Harrow is a 3. The Council's capacity to improve its services for children and young people is good and its management of these services is good. Areas for improvement are contained in the report that can be found on the Ofsted website.

The audit of the accounts and value for money

- 18** Your appointed auditor has reported separately to the Governance, Audit and Risk Management Committee on the issues arising from our 2007/08 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 30 September 2008;
 - a report on the Best Value Performance Plan confirming that the Plan has been audited; and
 - audit opinions on a number of grant claims and returns applicable to the year under review.

Use of Resources

- 19** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 20** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as outlined in Table 2.

Table 2

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

- 21** The Council has improved its overall Use of Resources score from 2 to 3. In respect of our assessment of the Council's arrangements for Use of Resources, there were improvements from 2 to 3, for both Financial Management and Value for Money, and from 1 to 2 for Financial Standing.
- 22** The key issues arising from the audit, as reflected in the above judgements where appropriate, are set out in the following paragraphs.
- 23** The Council introduced a new reserves policy in February 2007, agreed by members, stating that it intended to add £1 million to reserves during the year. The Council complied with this revised policy in 2007/08, increasing reserves in the year by £1.6 million. Restoring the Council's financial balances to a higher level through general reserve surpluses is expected to be a challenge and therefore should remain a key priority going forward. As part of the budget round for 2009/10, with consideration of the economic challenges facing the Council, the Council has amended their policy. From 2009/10 the Council intends to add £0.5 million to reserves for each year until such time as general balances exceed £5 million.
- 24** Whilst it has continued to improve its financial standing, there is still more to do which the Council recognises.
- 25** The Council scored 1 out of 4 for one key line of enquiry, within the Financial Reporting Assessment, which assesses the extent to which the Council produce annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.

- 26** The Statement of Accounts were closed and prepared in accordance with the timetable set by the Finance Department, and were presented for approval to the Audit Committee on 24 June 2008. However, during our work we noted three material misclassifications in the balance sheet and the Statement of Total Recognised Gains and Losses which were subsequently adjusted in the statement of accounts. Most of the accounts disclosure requirements in the SORP were met, but the financial instruments disclosures required by SORP 2007 were not satisfactorily implemented by the Council. While the main financial statements and supporting working papers were received at the beginning of the audit of 14 July 2008, the financial instrument working papers were received in the second half of August.
- 27** The Council should re-examine its reporting processes to ensure effective implementation of the changes in SORP requirements and to minimise the adjustments that need to be identified through the audit.

Looking ahead

- 28** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 29** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 30** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 31** This letter has been discussed and agreed with the Chief Executive and Leader of the Council. A copy of the letter will be presented at the cabinet meeting on 26 March 2009. Copies need to be provided to all Council members.
- 32** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	November 2008
Annual audit and inspection letter	March 2009

-
- 33** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 34** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Annette Furley
Comprehensive Area Assessment Lead
March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
