

# **Annual Audit and Inspection Letter**

**London Borough of Enfield**

**Audit 2005/2006**

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

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## Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from:
  - the audit of the Council; and
  - an analysis of the Council's performance and its improvement over the last year, as measured through the comprehensive performance assessment (CPA) framework.
- 2 The letter is addressed to the Council. It has, in particular, been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The letter's main messages are:
  - the Council is improving well and has been assessed as a three-star authority under the CPA framework;
  - the Council received an unqualified opinion on its 2005/06 financial statements; and
  - the Council received an unqualified conclusion on its arrangements for securing value for money during 2005/06.

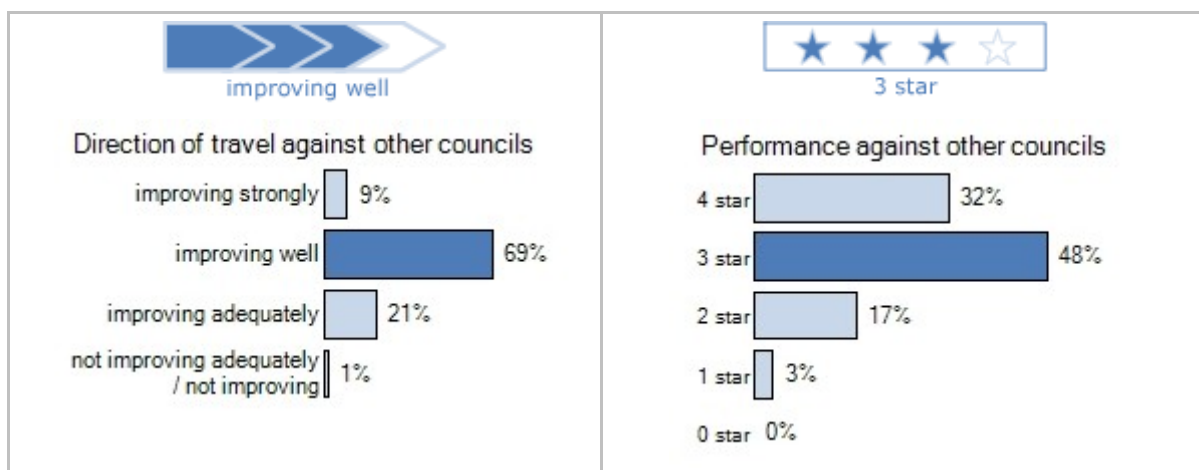
## Action needed by the Council

- 4 The Council now needs to:
  - enhance its focus on those higher-priority services where improvement is slower (housing) or performance has dipped (culture);
  - embed the improved arrangements for securing value for money Council-wide; and
  - review the asset management strategy on an ongoing basis.

## How is the Council performing?

- 5 The Audit Commission's overall judgement is that the Council is improving well. The Council has been classified as a three-star authority in terms of its current level of performance under the CPA framework. These assessments have been completed in all single tier and county councils with the following results.

**Table 1 CPA results for single tier and county councils**



Source: Audit Commission

- 6 The detailed assessment for the Council is as follows.

**Table 2 CPA scorecard**

Element	Assessment 2005	Assessment 2006	Change
Direction of Travel judgement	Improving well	Improving well	-
Overall	3 star	3 star	-
<u>Current performance</u>	(out of 4)	(out of 4)	
Children and young people	3	3	-
Social care (adults)	2	3	↑
Use of resources	3	3	-
Housing	2	2	-
Environment	2	3	↑
Culture	3	2	↓
Benefits	4	4	-

Element	Assessment 2005	Assessment 2006	Change
Corporate assessment/ capacity to improve	3	3	-

(Note: 1= lowest, 4= highest)

## The improvement since last year - our direction of travel report

- 7 The Council has continued to improve services in priority areas, such as crime reduction, street cleansing and waste collection. The rate of improvement is impressive, with more than 85 per cent of key service indicators improving, which is well above the national average. Overall customer satisfaction is increasing. Services for children and families are performing well, with a new flagship initiative to provide co-ordinated support to families most in need now in place. Services for adults have made steady progress. The benefits service has maintained its good performance for users. The Council is improving access to services for disadvantaged groups through two new access centres located in areas of need and via its web site. However, progress in the housing service is slower and customer satisfaction with museums and sports and leisure facilities remains below average. The Council monitors its performance well and takes corrective action when needed. The Council has improved its focus on value for money and action has been taken to increase capacity through restructuring, particularly in planning and regeneration. The Council is well placed to continue to improve the services it provides to local people.

## Financial management and value for money

- 8 We have reported the findings of the 2005/06 audit in the annual governance report that was presented to the Audit Committee on 14 September 2006. The report summarised the key issues arising from both the audit of the financial statements and the assessment of the Council's arrangements for securing value for money. These issues are also highlighted in this letter where appropriate. Following the presentation of the report, we issued an unqualified opinion on the financial statements and an unqualified conclusion on the arrangements for securing value for money on 29 September 2006.
- 9 As a result of outstanding correspondence, we could not certify completion of the 2005/06 audit. The audit for 2004/05 also remains uncertified. Table 3 provides an update on the current status on our consideration of the more significant matters raised with us.

**Table 3 Status of matters raised by members of the public**

Issue	Comment
Arrangements for the disposal of specific assets	Audit work completed and residual issues arising reported in January 2007. The key issue arising concerns the need for the Council to improve its processes for evidencing option appraisals and valuations on asset disposals.
Leaseholder debtors	Objection to the 2004/05 financial statements not upheld. There are no issues arising that need to be raised in this letter.
Management of properties in the Green Belt	Recently received correspondence, potentially affecting 2004/05 and 2005/06, currently under consideration.

- 10 Grant claims submitted by the Council are certified in accordance with instructions from government departments. The largest of these is the housing benefit claim with a value of some £170m. Our last letter referred to problems encountered during the audit of the 2004/05 housing benefit claim. Qualification letters have now been issued in respect of both the 2004/05 and 2005/06 claims. There is a risk that actions to resolve the outstanding qualification issues, together with improvements to the underlying working papers, will not be in place prior to the production of the 2006/07 housing benefit claim. As a result, the Council may continue to face a higher audit certification fee than would otherwise be required and is at risk of loss of subsidy entitlement. Council officers are reviewing actions required to address these issues.

## Use of resources assessment

- 11 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 of the five themes, as set out in Table 4.

**Table 4 Use of resources assessment**

Theme	Assessment (out of 4) 2005	Assessment (out of 4) 2006	Change
Financial reporting (including the preparation of the Council's financial statements and the way these are presented to the public)	3	3	-
Financial management (including how financial management is integrated with strategy to support Council priorities)	3	3	-
Financial standing (including the strength of the Council's financial position)	3	3	-
Internal control (including how effectively the Council maintains proper stewardship and control of its finances)	3	3	-
Value for money (including an assessment of how well the Council balances the costs and quality of services)	2	3	↑
Overall use of resources	3	3	-

(Note: 1= lowest, 4= highest)

- 12 The key issues arising from this work are highlighted in the use of resources auditor judgements report. The Council continues to perform well. Improvements have been evidenced in the Council's understanding of its costs and their relationship with the Council's priorities and service performance. This is reflected in the improved score for value for money in Table 4 above. The report highlights some areas for the Council to consider for improvement, as set out in Table 5 below.



**Table 5 Use of resources' improvement opportunities**

<b>Element</b>	<b>Improvement opportunities</b>
Financial management	Review the asset management strategy on an ongoing basis to ensure that planned outcomes and benefits are achieved.
Internal control	Reflect partnerships in the Council's risk management arrangements. Implement and embed the revised business continuity plan.
Value for money	Embed the arrangements to support value for money, such as streamlined HR processes, the performance management framework and the new pay framework, Council-wide, ensuring that planned outcomes and benefits are delivered.

**Financial standing**

- 13 The financial position remains challenging in the short and medium-to-longer term. The January 2007 financial-monitor report to Cabinet shows that the Council is projecting a balanced outturn on its approved net 2006/07 budget of £206.3m. The Council is also predicting the use in full of the contingency element contained within the budget. The Council should continue to monitor its financial position closely and implement identified actions to address variances in order to ensure outturn expenditure remains within budget. Looking to 2007/08, the net budget has been set at £215.8m, and continued vigilance will be required to contain expenditure in line with budget without drawing on balances.

**Other use of resources work**

- 14 Reports have also been issued on the Council's arrangements for regeneration (place-shaping) and the planned implementation of the arms length management organisation (ALMO) to manage the Council's housing stock. Both pieces of work were undertaken as voluntary improvement work in addition to the fee agreed for the 2006/07 audit plan. The findings are set out in table 6 overleaf.

**Table 6 Issues from other use of resources work**

Area of work	Key issues
Regeneration	<p>The Council has made progress since our previous report. Clear short-term arrangements have been established to facilitate the development of its place-shaping agenda and there has been good progress in implementing governance arrangements with partners. In order to maintain and accelerate the momentum, the Council now needs to:</p> <ul style="list-style-type: none"> <li>• develop a clear longer-term structural plan to provide the capacity for delivering the place-shaping agenda;</li> <li>• incorporate the delivery of the place-shaping strategy into the planning cycle for 2007/08; and</li> <li>• finalise performance monitoring arrangements between voluntary/community sector sub-providers and Education, Children’s Services and Leisure.</li> </ul>
Housing ALMO	<p>The Council has developed a comprehensive improvement plan. Potential risks and weaknesses to the delivery of the plan have been identified. The Council now needs as a matter of priority to:</p> <ul style="list-style-type: none"> <li>• clarify expected outcomes which residents would recognise;</li> <li>• apply greater focus to priorities; and</li> <li>• update the improvement plan in accordance with the risk assessment.</li> </ul>

**Best value**

- 15 The audit of a sample of performance indicators included in the draft 2006/07 best value performance plan (BVPP) identified a number requiring amendment. Following the necessary amendments, we issued an unqualified report on the Council’s BVPP on 23 December 2006. The Council now needs to use its data quality strategy to drive required improvements in the accuracy of performance management information Council-wide.

## Conclusion

- 16 This letter has been discussed and agreed with the Chief Executive and Leader. A copy of the letter will be presented to Cabinet on 22 March 2007.
- 17 Further detailed findings, conclusions and recommendations on the areas covered by this year's work are included in the reports issued to the Council during the year. Table 7 highlights the reports issued since our last annual audit and inspection letter was issued in March 2006.

**Table 7 Reporting**

Report	Date of issue
Audit and Inspection Plan 2006/07	March 2006
Annual Governance Report 2005/06	September 2006
Opinion on Financial Statements 2005/06	September 2006
Value for Money Conclusion 2005/06	September 2006
Final Accounts Memorandum 2005/06	February 2007
Use of Resources Auditor Judgements 2006	December 2006
BVPP Report 2006/07	December 2006
Data Quality Arrangements and Best Value Performance Indicators	December 2006 (draft)
Asset Disposals	January 2007
Regeneration	December 2006
Housing ALMO	February 2007
Direction of Travel Assessment	February 2007
CPA Scorecard	February 2007

- 18 The outturn fee for the year is set out in Table 8 overleaf. This shows a total audit and inspection fee for 2005/06 of £521,500, against a planned audit fee of £509,000. This compares to a 2004/05 total fee of £535,000.

**Table 8 Fee update**

<b>Area</b>	<b>Plan 2005/06 £</b>	<b>Actual 2005/06 £</b>
Accounts*	284,000	296,500
Use of resources	109,000	109,000
<b>Total audit fee</b>	<b>393,000</b>	<b>405,500</b>
Inspection	116,000	116,000
<b>Total audit and inspection fee</b>	<b>509,000</b>	<b>521,500</b>
Grant claim certification** (estimated outturn)	125,000	150,000
Voluntary improvement work	0	
• 2005/06***		16,000
• 2006/07 (estimated) ****		19,000

\* The variance was due to additional work on the new housing benefit system and issues raised with us by members of the public

\*\* The variance principally reflects the issues discussed at paragraph 10 of this letter

\*\*\* This work covered facilitating workshops to improve awareness of value for money

\*\*\*\* This work covered the regeneration and housing ALMO reviews considered in Table 6 above

- 19 The Council has taken a positive and constructive approach to our audit and inspection work. We would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 20 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

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