

Annual Audit and Inspection Letter

Islington London Borough Council

Audit 2007/08

March 2009



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Status of our reports

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

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

- 1 The Council is improving strongly. The pace of improvement has increased considerably over the past year.
- 2 The Council works well in partnership to deliver shared community outcomes in areas such as tackling crime and regeneration.
- 3 The pace of improvement is higher than the national average with over two thirds of performance indicators improving last year. The Council has a high proportion of strong performing services.
- 4 Housing services provided by the Council's arms length management organisation have been rated as excellent.
- 5 We gave unqualified opinions on the Council's statements of accounts and pension fund for the year ended 31 March 2008. Our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources was also unqualified.
- 6 Arrangements for the production of financial statements have been strengthened since the previous year. However there are further opportunities to improve the quality of the financial statements presented for audit and the supporting working papers and audit trails.

Action needed by the Council

- 7 The Council should:
 - take steps to improve arrangements for financial reporting; and
 - continue to improve performance in the areas of educational attainment, recycling and reducing crime.

Purpose, responsibilities and scope

- 8 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.)
- 9 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.
- 10 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.
- 11 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, your appointed auditor reviews and reports 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.
- 12 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.
- 13 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 Islington Council performing?

14 The Audit Commission’s overall judgement is that Islington Council is improving strongly and we have classified Islington Council as 4 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 district councils in CPA



Source: Audit Commission

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving Strongly
Overall	4 star
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007.	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 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

- 15** Islington Council is improving strongly. The Council continues to deliver strong improvement in key priority areas such as reducing crime, educational attainment, environment and by helping more older people to live independently. The pace of improvement is higher than the national average with over two thirds of performance indicators improving last year. The Council has a high proportion of strong performing services. However, challenges remain in terms of recycling and the Council has plans in place to address these. The Council works well with partners to deliver wider community outcomes such as tackling health inequalities and regeneration.
- 16** The Council provides good value for money and good financial management continues to deliver significant efficiency savings. The Council has further developed effective arrangements for understanding and responding to the needs of its diverse communities. The Council has a clear ambition for the area that is supported by plans that address residents priorities. The Council is further improving its capacity to deliver improved outcomes through, for example, the Smart Working programme. The Council is well placed to sustain and deliver future improvements.

How is Islington Council performing?

- 17** The Council was externally verified at Level 3 of the Equality Standard in January 2008 and declared at Level 4 of the Equality Standard in December 2008 following an internal assessment process which does not require external validation. Furthermore, its work to tackle social exclusion is delivering improvements. These include narrowing the gap in educational attainment, providing support to refugees and increasing the number of council buildings that are accessible to disabled people.
- 18** The Council has achieved good improvements in terms of value for money. A robust set of arrangements for challenging and reviewing corporate and departmental level expenditure has helped maintain a keen focus on achieving efficiencies. Technological solutions have also delivered cost savings and increased residents' access to services. For example, the wireless city and community television projects both help residents more readily access Council services. Effective financial management and the appropriate use of technology are helping the Council to provide more cost effective services.

Service inspections

- 19** The inspection of housing services provided by 'Homes for Islington' (Hfl) an arms length management organisation (ALMO), found that services had significantly improved, reflected in the rise in resident satisfaction whilst at the same time efficiency savings have been achieved. As a result Hfl was awarded a three star 'excellent' rating. Hfl's capacity to secure future enhancements is underpinned by well supported staff, strong management, good information systems and a robust approach to procurement. Consequently, Hfl's prospects for improvement are also 'excellent.'

Annual Performance Assessments

- 20** 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.
- An annual performance assessment of children's services.
 - An annual performance assessment of adult social care services.
 - An annual performance assessment of benefits service.
- 21** A summary of the overall judgements for each assessment is detailed in the paragraphs that follow.

- 22** The annual performance assessment of Islington's services for children and young people judged their overall effectiveness at a grade 3 (out of a possible 4). The assessment found that Islington provides services which consistently deliver above minimum requirements for its children and young people. The Council's contribution to improving outcomes in the areas of being healthy, staying safe, enjoying and achieving and making a positive contribution were 'good' whilst were only deemed to be 'adequate' for achieving economic wellbeing. The council had 'good' capacity to improve its services for children and young people, and its management of these services is 'good'. The full assessment can be accessed via the inspectorate's website at www.ofsted.gov.uk.
- 23** The Commission for Social care Inspection's annual performance assessment of Islington's adult social care services judged there to be 'good' delivery of outcomes with 'excellent' capacity to improve services. The service sustained a 3 star rating overall (out of a possible 3 stars). The full assessment can be accessed via the inspectorate's website, www.csci.gov.uk.
- 24** The assessment of the benefits service concluded that the Council achieved a rating of 3 (out of a possible 4). The full assessment can be accessed via the inspectorate's website www.audit-commission.gov.uk.
- 25** As part of the agreed audit programme, reviews were completed to evaluate the work being undertaken to tackle health inequalities, review the Council's performance management framework, ethical standards and community safety arrangements. A follow-up review was also completed that assessed the Council's response to the recommendations made following our October 2004 waste management inspection.

Performance Management (April 2008)

- 26** Fundamental to any performance management framework is the establishment of clear aims and priorities and an effective means by which progress can be assessed. Our review found that the Council has set clear aims and priorities. There is a clear cascade of issues through the planning hierarchy, the 'One Islington' corporate plan, service and financial plans and finally into staff objectives. As part of our work we conducted a survey of the Council's managers, 87 per cent of the respondents stated that these aims and priorities are subsequently translated into meaningful objectives for them. Having established a clear set of aims, which have been effectively communicated to staff, and in turn translated into meaningful goals, the Council is well placed to channel its resources effectively to achieve its objectives for the community it serves. Sound reporting arrangements then ensure on-going progress is understood and where necessary interventions can be made in a timely fashion.

Health Inequalities (June 2008)

- 27** The Council, Primary Care Trust (PCT) and its partners have established clear and appropriate partnerships to work together to reduce the health inequalities that exist within the borough. Considerable work has been undertaken to more accurately understand the complex health issues that affect residents. Good progress has been made in the use of public health information to re-design how and what services are provided, for example refinements have been made to the partnership's approach to tackling obesity.

How is Islington Council performing?

28 However, at the time of our on-site work there was no overall strategy for tackling the causes of health inequalities although clear actions and objectives to improve health inequalities are embedded in other key strategies and plans. In addition a performance management framework for health inequalities had yet to be put in place. The Council and the PCT are committed to addressing this in part through the development of a joint strategy. Further work is also on-going to strengthen the challenge provided by overview and scrutiny to help ensure its key health scrutiny function can effectively support progress in this important area.

Setting High Ethical Standards (July 2008)

- 29** High ethical standards are the cornerstone of good governance. They are an integral part of good corporate governance arrangements and can lead to increased confidence in local democracy and better public services. One of the common aspects of governance failures is not the absence of frameworks, controls and arrangements but the absence of appropriate behaviours and values amongst members and officers.
- 30** Our audit therefore looked at compliance with statutory requirements and also at behaviour, culture and values. The aim of the audit was to review the progress made by the Council since our previous review completed in 2005/06 and to assess the current arrangements almost two years into the new administration's tenure. The review found that the Council has clearly made improvements to its ethical governance arrangements since our last audit and on the whole these arrangements are good. The Standards Committee is now meeting formally with the Chief Executive twice a year and implementing initiatives to raise the profile of the Committee and its work, both inside and outside the Council. As recommended by the report, the whistle blowing policy and procedure have also been revised.
- 31** The Council is on track to complete all of the recommendations detailed in our recent report by April 2009. By addressing these recommendations the Council will be better placed to support its Councillors and ensure they are compliant with the values of the office they hold.

Community Safety Arrangements (January 2009)

32 Overall our review found that performance in terms of reducing crime has been good. This review also included a survey of the Council's 200 top managers which indicated significant variations across directorates in terms of knowledge and awareness of community safety issues. Whilst managers were generally very positive as to the corporate promotion of community safety they were less confident that barriers to joint working across the council's directorates had been identified and addressed. This is an area that needs to be addressed.

Waste management inspection (follow-up) (February 2009)

33 The Council has made good progress in implementing the recommendations arising from the inspection of waste management services in 2004. Service enhancements have been secured, for example fewer bins are now missed and customer access and satisfaction has improved. Performance management arrangements, and target setting have been strengthened, and service efficiencies secured.

The audit of the accounts and value for money

Audit of the accounts

- 34** As your appointed auditors we presented our Annual Governance Report to the Council's Corporate Services Committee in September 2008. The Committee is considered to fulfil the role of those charged with governance. Our report included:
- unqualified opinions on your accounts and those of the pension fund for the year ended 31 March 2008; and
 - an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.
- 35** The report contained five recommendations. Officers have accepted these recommendations and are implementing the actions required to improve the Council's arrangements. The recommendations were to:
- ensure that the draft accounts comply fully with SORP and financial reporting standards;
 - review capital accounting arrangements to ensure transactions arising from complex asset transactions are properly disclosed in the financial statements;
 - assess the Council's liability to pay non-domestic rates and council tax creditors in full for old creditors;
 - undertake a review of infrastructure assets to enable a more detailed listing of infrastructure assets to be maintained by the Council; and
 - transfer all title deeds of assets held into the Council's name.
- 36** There are no other significant issues or recommendations arising from the audit of the financial statements to bring to members' attention. We have provided officers with a detailed report making recommendations on how the process may be improved in 2009.
- 37** The audit for 2007/08 cannot be formally concluded and a certificate closing the audit issued until an outstanding objection from a local government elector, relating to a previous year's accounts, is resolved.

Use of Resources

- 38** 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).
- 39** The Council maintained its assessment of performing well in 2008. The Council demonstrated improved performance in the sub-themes underlying financial management and internal control for example in risk management. However this did not impact on the overall assessment scores. This should be considered against the more demanding assessment criteria this year in accordance with the principles of continuous improvement outlined in the Audit Commission's publication CPA - *The Harder Test*.
- 40** A detailed report of the findings and improvement opportunities was issued to the Chief Executive and Director of Finance in January 2009. The key issues set out briefly in Table 2.

Table 2

Element	Assessment (out of 4)	Summary findings and improvement areas
Financial reporting	2	Overall there are adequate processes in place to prepare the Council's financial statements and to report financial results to the public. Arrangements have been strengthened since the previous year although there are further opportunities to improve the quality of the financial statements presented for audit and the supporting working papers and audit trails.
Financial management	3	The Council's arrangements for financial planning and budgetary control are good. Most notable are the improvements that have been made to the Council's fixed asset records.
Financial standing	3	The Council has maintained reserves in accordance with its medium term financial strategy and it has strong arrangements for maintaining its spending within available resources.
Internal control	3	The Council successfully manages its significant business risks and has strong arrangements to promote probity and propriety in the conduct of its business. Risk management arrangements have been strengthened and are now more embedded within the Council's business processes. Overall the Council has good arrangements in place to maintain internal control but some improve can be made around monitoring financial reconciliations.
Value for money	3	The Council delivers value for money. Service costs are commensurate with performance and resource allocation is closely aligned to the Council's priorities. An effective performance management framework is in place.
Overall assessment of the Audit Commission	3	

Note: 1 – lowest, 4 = highest

The audit of the accounts and value for money

Other key issues arising from the audit

41 The main messages from the rest of our audit programme are summarised in Table 3.

Table 3 Other audit work

Audit area	Main issues arising
Data quality	The Council has adequate arrangements in place to ensure data quality. Our review of five performance indicators identified that three indicators required amendment. Following these amendments all five PIs were reported as fairly stated. Some improvement of systems and processes is required to improve data quality arrangements. A detailed report was sent to officers in December 2008.
Grant claims and returns	The number of claims requiring certification fell from 16 to 12. The quality of the grants submitted for audit has improved marginally with 58 per cent requiring amendment (65 per cent in the previous year). The number of claims qualified improved with 25 per cent being qualified compared to 50 per cent the previous year.

Looking ahead

- 42** 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.
- 43** 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.
- 44** 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 aspect of each area's Local Area Agreement.

Closing remarks

- 45** This letter has been discussed and agreed with the Chief Executive and Director of Finance. A copy of the letter will be presented at the audit committee on the 26 March 2009 and Executive on the 23 April 2009. Copies need to be provided to all Council members.
- 46** 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 4 Reports issued

Report	Date of issue
Audit and inspection plan	May 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	January 2009
Performance Management	April 2008
Health inequalities report	June 2008
Setting High Ethical Standards	July 2008
Community safety	January 2009
Follow up - Waste Management Inspection	February 2009
Annual audit and inspection letter	March 2009
Audit and inspection plan	May 2007

Audit and inspection fee

- 47** I reported our fee proposals as part of the Audit Plan for 2007/08. Table 5 reports the outturn fee against that plan.

Table 5 Audit fees

	Plan 2007/08	Actual 2007/08
Financial statements and Annual Governance Statement	£364,500	£414,500
Value for Money	£141,000	£141,000
National Fraud Initiative	£1,500	£1,300
Total Audit Fees	£507,000	£556,800
Other work	nil	nil
Inspection	£26,600	£26,600

- 48** The fee increase of £50,000 reflects the additional time required to complete work on complex capital transactions and ensuring compliance with SORP.
- 49** 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

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

Jackie Barry-Purssell
 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.

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