



# ISLINGTON

Finance

Town Hall, Upper Street, London N1 2UD

Report of : **Executive Member for Resources**

Meeting of	Date	Agenda Item	Ward(s)
Corporate Services Committee Executive	4 October 2005 6 October 2005		

Delete as appropriate	Exempt	Non-exempt
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## **SUBJECT: ANNUAL AUDIT AND INSPECTION LETTER 2004 – PROGRESS ON RECOMMENDATIONS**

### **1. Synopsis**

- 1.1 Islington is determined to achieve the goals set out in the “One Islington” vision. Significant amongst these is the achievement of sound governance. The District Auditor made a number of recommendations in the Annual Audit and Inspection Letter 2004 and this report provides an update on the action taken on those recommendations.

### **2. Recommendation**

- 2.1 To note the progress made in addressing the Annual Audit and Inspection Letter 2004 recommendations.

### **3. Background**

- 3.1 In February this year the Executive received the Annual Audit and Inspection Letter 2004 from the Council’s Relationship Manager and District Auditor. The letter acknowledged the significant improvements that had been achieved in our services over the year and which were reflected in the CPA rating of “good”. The letter also contained a number of recommendations for further improvement. These are listed below:

- continue to build upon its increasing corporate capacity to improve its frontline services and in particular consider whether its waste management contractual arrangements should be enhanced;

- ensure that further improvements are made to the processes underpinning the council's accounts so that they are of a sufficiently high quality;
- address the underlying causes of continued overspending in social services;
- ensure that risk management is fully embedded across the council; and
- strengthen the arrangements for handling queries from the public.

#### 4. Progress on the recommendations

***continue to build upon its increasing corporate capacity to improve its frontline services and in particular consider whether its waste management contractual arrangements should be enhanced***

- 4.1 A detailed review and renegotiation process is progressing well with revised specifications, greater flexibility and incentives being included to enhance the contract for the remainder of the 15-year contract (1998 - 2013). The process is designed not only to reflect current changes in the service needs but also to make it more easily variable in future.
- 4.2 Following the negotiations, the contract is planned to be re-launched in April 2006 with a new impetus to revitalise the contract and to give a higher profile customer focused service. The proposed incentive scheme will enable regular reporting of performance to area committees, based on independent customer surveys, and other agreed measures including recognised Key Performance indicators. A report will be put to the Executive by February 2006
- 4.3 The new Head of Waste Services is also reviewing the options for restructuring the waste Management Service.

***ensure that further improvements are made to the processes underpinning the council's accounts so that they are of a sufficiently high quality***

- 4.4 In line with the Whole of Government Account's timetable, the Statement of Accounts 2004/05 were presented to the Corporate Services Committee for approval in July, a month earlier than last year. Extensive measures were taken to meet quality standards including using PriceWaterhouseCoopers to undertake external quality assurance of the accounts and working papers prior to the audit.
- 4.5 Feedback from the PriceWaterhouseCoopers review was very positive. At the time of writing this report the audit of the accounts is still in progress. However initial feedback from the District Auditor is also very positive. The District Auditor will be reporting on their audit to the Corporate Services Committee on 4 October.

***address the underlying causes of continued overspending in social services***

- 4.6 The finance function within Social Services has been strengthened in recent months by the permanent recruitment to senior posts. A key objective for the function in this year is to develop activity based financial monitoring of spend and commitments, which is expected to be fully implemented by March 2006. A comprehensive review and analysis of unit cost data and comparison with best practice authorities is being undertaken and is expected to be completed by December 2005. A full review of the existing cost centre structure is also being completed to ensure it is relevant for budget holders and complies with best accounting practice. The review will be implemented as part of the 2006/07 budget setting process.
- 4.7 Within Adult Social Services the role of budget holders in relation to financial management has been strengthened. This includes formal monthly budget monitoring clinics that are held between finance and budget holders within each division. The senior management team formally review the departmental position and related management action at the monthly budget monitoring Departmental Management Team meeting.
- 4.8 It is expected that service and budget pressures will be fully established and validated by December 2005 to inform the departmental commissioning strategy and service planning processes and allow the implementation and monitoring of the agreed savings and management action plans.

***ensure that risk management is fully embedded across the council***

- 4.9 The Executive approved the Council's updated Risk Management Strategy and Policy at its meeting on 8 September 2005 in its capacity as having responsibility for the overall Internal Control Framework. The Executive Member for Resources is taking the lead in championing risk management at member level. The Executive will receive regular reports on progress against action plans concerning corporate risks and key service risks.
- 4.10 Departmental Risk Champions have the responsibility to ensure that there is robust action planning at departmental level and have been appointed and trained. A Corporate Risk Management Group chaired by the Chief Internal Auditor has been established to discuss risk and progress the Risk Management Strategy. Risk is included within the Council's Project Management Toolkit.

***strengthen the arrangements for handling queries from the public***

- 4.11 Some 290 enquiries were received from the public during the public inspection of the 2003/04 accounts. All the enquiries have been dealt with.
- 4.12 For the 2004/05 inspection of the accounts, in addition to the statutory notice placed in the press publicising the 20 day inspection period, the accounts and information explaining the public's rights was published on the Council's website. A room was set-aside during the inspection period at the town hall containing the copies of the accounts and was staffed by Finance department staff to receive requests to inspect the accounts and supporting records. Between 15 August and 5 September 21 public inspection queries were received and all have been dealt with. In the final few days of the public inspection period a further 83, mostly written, queries were received. These requests are

in the process of being dealt with and all responses are expected to be sent out by mid October.

## 5. Implications

### 5.1 Financial Implications

These are contained within the report.

### 5.2 Legal Implications

None.

### 5.3 Equality Implications

None.

## 6. Conclusion and reasons for recommendations

- 6.1 Significant progress has been made on addressing the recommendations. Output is now available to assess the progress made on the accounts, public questions and risk management areas, output from the ongoing work on waste management and social services financial monitoring will be available later in the year.

### Background papers:

Annual Audit and Inspection Letter 2004

Statement of Internal Control

Final Report Clearance

Signed by

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Executive Member for Resources

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Date

Received by

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Head of Scrutiny and Democratic Services

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Date

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