

Annual Audit and Inspection Letter

Harlow District 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 This report provides an overall summary of the Audit Commission's assessment of the Council. The main messages for the Council included in this report are as follows.
 - Harlow District Council is progressing and delivering against some of its key priority areas and action is being taken to address areas of poor performance.
 - There is a structured approach to improvement planning and effective partnership working with the LSP is delivering outcomes for local people.
 - The Council is taking positive steps to develop its capacity through partnership working. However, its budgetary position will require effective prioritisation of resources to deliver future performance improvement.
 - Value for money has improved as the Council has improved performance in some areas and outcomes for local people while reducing costs.
 - We issued an unqualified opinion on the Council's 2007/08 statement of accounts on 30 September 2008, but an 'except for qualification' was given on the value for money (VFM) conclusion because the Council had not put in place adequate arrangements for the management of its asset base.
 - Whilst the Council's overall Use of Resources assessment has remained at level 2, it has deteriorated in two of the five themes (financial reporting and financial management) although it has improved its score in one out of the eleven individual areas assessed (internal control).

Action needed by the Council

- 2 The Council should consider advancing the budget timetable to help inform the budget preparation process with earlier input from the Star Chamber. There should also be systematic reporting of budget performance aligned with service performance.
- 3 The Council should determine how they will ensure a robust asset register is maintained.
- 4 Members and senior officers need to continue to actively manage corporate risks and monitor action plans developed by the Council to deliver recommendations made by auditors and inspectors.
- 5 The Benefits service should review its business processes to ensure they are capable of delivering improved service outcomes within a constrained budget and should explore all options for increasing capacity both internally and externally.
- 6 The Council should complete equality impact assessments for all policies and services to demonstrate that its services are meeting the needs of all sections of the community.
- 7 Target setting should be more robust and consistently applied. Milestones should underpin the targets and the Corporate Plan should include targets for all actions as well as clearly aligning objectives to achievement of priorities.

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.
- 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, the 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 Harlow District Council performing?

14 Harlow District Council was assessed as poor in 2004. Subsequently the Council addressed a range of the weaknesses identified in the report. It then applied for a recategorisation, which was accepted. A Corporate Assessment inspection took place during 2007 which found the Council to be 'good'. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

Summary

- 15 Harlow District Council is delivering well against some of its key priority areas. Progress has been achieved in priority areas, such as making Harlow a safer place and increasing the number of affordable homes. Action is being taken to address areas of poor performance such as the benefits service and recycling which are now showing signs of improving. Value for money has improved as the Council has improved performance in some areas and outcomes for local people while reducing costs. However the Council is making slow progress to address equalities and diversity issues.
- 16 There is a structured approach to improvement planning. Linking of priorities of the Council, local strategic partnership (LSP) and local area agreement (LAA) means the Council and its partners continue to have a shared long-term vision for the district. Effective partnership working with the LSP is delivering outcomes for local people. The Council is taking positive steps to develop its capacity through partnership working. However, its budgetary position will require effective prioritisation of resources to deliver future performance improvement.

The improvement since last year - our Direction of Travel report

- 17** Local priorities, identified through consultation with the local community, are reflected in the Council's vision which is set out in its 2008/09 Corporate Plan. There are five priorities:
- a clean, safe and sustainable environment;
 - a prosperous community;
 - decent affordable homes;
 - high performing, customer focused services; and
 - a caring community with a higher quality of life.
- 18** Of these its top priority is a clean, safe and sustainable environment. The Council is delivering well against some of its priority areas.
- 19** Performance Indicators (PIs) reveal that the Council is making better than average progress in improving services. In 2007/08, 64 per cent of PIs improved compared to the previous year; this is just above average. The Council has 32 per cent of PIs in the top 25 per cent which is average for all district councils.
- 20** The Council has not made sufficient progress in addressing some areas of poor performance. Improvements in the benefit service have resulted in quicker services for processing claims. In 2007/08, it took an average of 30.6 days to process new claims and 12.2 days to process changes in circumstances. However, overall performance compares poorly with other councils. Accuracy of processing benefit claims has also fallen. People most in need are not receiving a timely and accurate benefits service.
- 21** The Council has made some progress against its top priority of a clean, safe and sustainable environment. It is working effectively with partners to promote safer communities. Crime in Harlow reduced 25 per cent by 2008 compared to its baseline in 2003/04. Improvements in 2007/08 include reduced levels of robberies, thefts of motor vehicles, violence against the person and sexual offences. However, domestic burglaries and theft from motor vehicles have increased. The Council has recruited a Parenting Practitioner to work intensively with families requiring assistance to improve parenting skills and reduce the likelihood of children and young people becoming involved in anti-social behaviour. Harlow is now a safer place in which to live.
- 22** The approach to sustainability is starting to have an impact. A sustainability strategy and supporting action plan have been developed. A 5 per cent reduction in electricity usage within the Council's buildings has been achieved. The effective implementation of the strategy supports the priority for a sustainable environment.

How is Harlow District Council performing?

- 23** The Council is not delivering effective recycling and street cleaning services. Although recycling rates have increased from 19.3 per cent in 2006/07 to 22.45 per cent in 2007/08, this represents below average performance and the Council did not achieve its target of 24 per cent. Performance in 2007/08 showed that street cleanliness deteriorated in relation to litter and graffiti although instances of fly-tipping reduced. The Council recognises it has more to do in this area and is introducing revised street cleaning practices and is negotiating a new waste and refuse contract to include composting. This should help the Council improve levels of cleanliness and reduce the amount of waste going to landfill.
- 24** Through partnership working the Council has supported initiatives to progress its priority of a prosperous community. In December 2008 the new business incubation unit, Harlow Enterprise Hub, opened. The Hub provides office space, business support and advice aimed at improving Harlow's poor start up rate for new businesses. Other work has focused on bids for funding and essential preparatory work to allow a number of projects to progress in the future. Outline planning permission has been granted for new health and leisure facilities at Staple Tye, the most deprived ward in Harlow and for regeneration schemes at Clifton Hatch and Prentice Place. A town centre partnership has been established, employing a town centre development manager to work with retailers and local businesses to increase the appeal of the town.
- 25** Progress has been made against its priority of decent affordable homes. Local people are benefiting from an increased supply and better quality housing. For example, the average time to re-let empty properties at the end of September 2008 was 28 days (unaudited figure) compared to 34 for 2007/08. In 2007/08, 83 affordable homes were provided with an additional 42 completed in the first six months of 2008/09. Performance in relation to achieving the Decent Homes standard is uncertain as the indicator was incorrectly calculated and the data to correctly calculate it is not available. Better housing with more decent and affordable homes will improve the quality of life for tenants and residents.
- 26** Customer satisfaction is improving. In 2006/07 satisfaction levels were below the national average of 54 per cent. The Council repeated the survey in 2007/08 with its People's Panel achieving a 58 per cent satisfaction level. The People's Panel has also been consulted on the budget and corporate plan priorities. There has been extensive consultation in 2008/09 on the new waste and refuse contract. Effective consultation contributes to improved satisfaction by helping to ensure the Council's ambitions match the aspirations of the local community.
- 27** Customers are able to contact the Council by phone and in person. Despite reducing Contact Harlow opening hours from April 2008 the service remains accessible to those who work by opening on Saturday mornings.
- 28** Working with its partners, the Council has made progress towards its priority to deliver a caring community with a higher quality of life. Working with Harlow Youth Council a Youth Café was opened in March 2008. Working with Active Harlow participation in sports has increased. This project has had a number of positive outcomes including providing a safe environment for young people to meet.

How is Harlow District Council performing?

- 29** The Council is proactively supporting the local community as a result of the economic downturn. It has entered into a contract with one landlord which has saved £100,000 of increased homelessness costs. An on-line advice service has been created to help Harlow residents struggling in the current economic downturn. This provides support for those with financial difficulties.
- 30** The Council is making slow progress to address equalities and diversity issues. It has achieved Level 2 of the equality standard for local government. The Council has appointed an equalities and diversity officer who has started to engage with disadvantaged groups to find out what their priorities are. The results will be used in the development of a new Corporate Equalities Action Plan. New draft guidance on equality impact assessments has been produced and is being piloted in HR in the development and review of policies and on the new waste contract as a commissioning activity. Because it has not completed equality impact assessments for all policies and services it cannot demonstrate its services are meeting the needs of all sections of the community.
- 31** Value for money is showing signs of improvement. Costs are reducing although they start from a high base. The Council delivers a reducing range of discretionary services which impacts on overall costs. Councillors are continuing to withdraw from delivering some services that do not support achievement of the Council's priorities and to increase investment in priority services. This includes seeking alternative ways of providing the services. The efficiency savings target was exceeded in 2007/08. There are good examples of collaborative and partnership working to achieve efficiency savings and improve services, such as the Kier Harlow joint venture company.

How much progress is being made to implement improvement plans to sustain future improvements?

- 32** The Council has clear priorities for improvement that are informed by the needs of local people and linked to wider community outcomes. Strategies are in place for delivering priorities. The Corporate Plan and medium term financial strategy are linked. The Council allocates its resources according to priorities. This approach helps ensure resources available are directed to the achievement of agreed priorities.
- 33** The Council and its partners continue to have a shared long term vision for the town. The community plan, corporate plan and LAA are all linked. The approach taken by Harlow in developing a Harlow based LAA has been taken forward across Essex in the development of the revised LAA. Outcomes include addressing nuisance caused by the use of illegal mini-motorcycles in the town. Additionally four additional Sure Start Children's Centres are now provided in Harlow. A partnership approach supports the delivery of LAA targets.
- 34** The Council's performance management framework is being embedded across the Council and is challenged and scrutinised by councillors to ensure actions are enabling corporate priorities to be achieved. Where local issues are identified separate plans are developed including those to deliver the Regeneration Strategy. Improved systems will help the Council to ensure it is focusing on improving performance.

How is Harlow District Council performing?

- 35** The Council achieved the majority of its Corporate Plan key actions in 2007/08 but target setting, although improving, is not consistently robust. It is not clear if the Council is on target to achieve its longer term objectives as milestones do not underpin all targets. The 2008/09 Corporate Plan does not have targets for all actions and it is not always clear how the objective helps achieve the priority. For example, for the key priority of tackling social deprivation via benefit service improvements there is no target for 2008/09 and it is not clear how the objective to be in the top 25 per cent of councils nationally for user satisfaction with the benefits service helps tackle social deprivation. Social deprivation may not be effectively tackled yet those customers receiving benefits may be satisfied with the service.
- 36** The Council uses partnerships effectively to increase its capacity to deliver its ambitions and priorities. Kier Harlow has provided financial savings and improved performance. Work with the Harlow Gateway Partnership and Harlow Renaissance is contributing to the growth and regeneration of Harlow. The Council's good use of partnerships is increasing its capacity to deliver its priorities.
- 37** The Council's financial capacity to deliver its objectives is stretched. The Council had forecast a £1.8m overspend against the 2007/08 budget. This was addressed through reducing costs and utilising reserves. In early summer 2008 budget monitoring identified additional cost pressures and the Council forecast a budget deficit of £1.3m in the General Fund for 2008/09. There are some external factors contributing to this such as high energy costs, reduced income from car parking, commercial rents, planning and building control fees. The Council identified and implemented further budget savings of £1.1m to reduce the expected overspend.
- 38** The Council's capital budgets are also under severe strain. The Council had already decided not to start capital programme projects until it has the funds in place to finance them. The potential funding gap in the non-housing programme (£1.2m) is to be closed by deferring projects and by borrowing in the short-term until such time as asset sales are realised. This has an impact on the Council's financial stability and its ability to continue to improve performance.
- 39** The Council is at risk of not achieving the Decent Homes standard by 2010. Its Corporate Plan indicates the need for sufficient investment in the housing stock to secure the standard by 2010. The Council's economic position puts this at risk as Capital programme expenditure of £1.6m for Decent Homes has been deferred to 2009/10. If it is not completed during next year the target may be missed.
- 40** The efficiency savings have had an impact on the capacity of the Council. Priority services such as growth and regeneration have been protected and £100,000 set aside to provide additional capacity in the areas where it was most needed, including human resources (HR), Internal Audit and recycling. The Council is aware of the impact of limited resources and the need for change is recognised. It is exploring the shared service agenda with other councils.

- 41 Sickness absence and job uncertainty is having an impact on capacity. A number of measures are in place. For example, return to work interviews and a confidential telephone help line but there remains a problem with long term absence. HR policies are being updated to reflect modern working practices and equalities. Extra HR capacity has been put in place to do this, and to support managers dealing with sickness. However, capacity of the Council is affecting staff morale and the ongoing financial constraints limits the ability of the Council to deliver its priorities.

The audit of the accounts and value for money

- 42 Your appointed auditor reported separately to the Policy and Resources Committee on 25 September 2008, the issues arising from the 2007/08 audit.
- 43 The audit report issued on 30 September 2008, provided an unqualified opinion on your accounts and a qualified opinion on your value for money (VFM) arrangements to say that the Council had adequate arrangements for securing economy, efficiency and effectiveness, except that it did not put in place arrangements for the management of its asset base.

Use of Resources

- 44 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).
- 45 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

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

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

- 46 Whilst the Council's overall Use of Resources assessment has remained at level 2, it has deteriorated in two of the five themes (financial reporting and financial management) with a lower score in two out of the eleven individual areas assessed. Although there was an improvement in one of the areas assessed for internal control, this did not increase the overall score for that theme. The Council's performance demonstrates that they are making progress in some areas, but have been able to recognise that there are further improvements to be made.
- 47 The key issues arising from the audit, as reflected in the above judgements, are as follows.

Financial Reporting

- 48 A covering report was provided to the Audit and Improvement Committee on 25 June 2008, when the unaudited accounts were originally presented for approval. A further report was presented to the Policy and Resources Committee when the accounts were re-approved on 25 September 2008 and this set out the main changes to the version of the accounts that had been agreed in June. The amended draft accounts were submitted to us by the agreed deadline.
- 49 Three material errors were found during our final accounts audit work, which were in respect of the asset register and weaknesses in the Council's management of its assets. All the required amendments to the financial statements were followed through and Finance officers correctly incorporated changes to all relevant parts of the accounts.

The audit of the accounts and value for money

Financial Management

- 50 There is generally a good financial management framework established at the Council and the framework demonstrates links to strategic priorities. Action plans are developed and monitored when a material variance arises or a deficit is forecast. The Council takes account of the needs of most sections of the community, although further work is required to demonstrate that its services are meeting the needs of all sections of the community. The Interim Budget 2008/09 reported to Members on 28 August 2008 included a risk sensitivity analysis to identify emerging cost pressures.
- 51 The Council has a framework in place for asset management. However, our work on fixed assets during the final accounts audit work found that the process was not operating effectively on a day to day basis. There were significant weaknesses found within the asset register, for example, it had not been accurately maintained or kept up to date, there were inadequate audit trails and the system is not sufficiently robust enough to produce accounts that will comply with new standards in the future. There was limited effective cross-departmental working and inadequate communication and as a result assets earmarked for redevelopment/regeneration had not been appropriately recorded. This was noted as a gap in the assurance for the value for money conclusion and it was qualified on this basis in relation to this particular standard.

Financial Standing

- 52 The Council set a balanced budget at the start of the year for both 2007/08 and 2008/09. There were a number of significant cost pressures identified throughout 2007/08 that the Council had to manage and these were dealt with promptly. The Council maintained its overall spending within the revised budget, this demonstrated how the Council's budgetary arrangements remained flexible to adapt to changing circumstances and that the general fund reserve could be maintained within the limit set by the MTFs.
- 53 The Council has an agreed policy for reserves and balances, which has been adhered to and taken into consideration in the 2008/09 budget setting process. However, the level for the general fund reserve has remained in the region of £1.5m for several years and therefore does not reflect the changing financial standing of the Council or identified risks and the future economic environment. The policy for the reserves and balances should be reviewed to ensure that it meets the Council's future objectives and changing economic climate.

Internal Control

- 54 The Council has demonstrated progress in this area. There are good arrangements in place for the control of the register of interests, gifts and hospitality and complaints, as well as ongoing monitoring for compliance with the code of conduct. The Council has made a significant effort to meet the requirements of the new Annual Governance Statement.

- 55 Improvements have been made to the Internal Audit section. During 2007/08 Internal Audit were able to meet their key obligations in the annual internal audit plan and completed work on the main financial systems. However the 2008/09 plan had not been based on a robust risk assessment and resources had not been allocated to proactive fraud work or to support the work being undertaken by the Council for the Audit Commission's National Fraud Initiative.

Value for Money

- 56 Costs are reducing year on year although they start from a high base. Council Tax is among the highest nationally for district councils. However, the increase to Council Tax in 2007/08 of 1.9 per cent was one of the lowest increases nationally. Unapportioned central overhead costs are very low and there are some external factors that partly account for high costs. Although areas of high spend are generally in line with the Council's priorities. While costs have been reduced, performance has continued to improve.
- 57 There a number of strengths in the budget preparation arrangements to ensure that the overall budget is realistic, there is regular monitoring of budget expenditure and that the 2008/09 budget was set with a prudent approach.
- 58 The Council has produced and is delivering on an efficiency plan. Efficiency gains over three years have exceeded targets. The majority of the savings were cashable and have been re-allocated to front line services in line with the Council's priorities.
- 59 From 2009, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

The key issues arising from other areas of the audit

The Accounts

- 60 Our interim audit work provided us with some assurance in our assessment of the risk of material misstatements in the financial statements. However, in some key financial systems, the controls were not operating effectively or as documented and weaknesses were identified that reduced our ability to gain assurance at the pre-statements stage to conclude that the financial statements would be free from material misstatement.
- 61 Arrangements for the production of the financial statements were adequate and the Council was able to produce the draft financial statements by the target date of 30 June 2008.
- 62 Our final accounts audit work provided us with sufficient assurance on the financial statements to give an unqualified opinion by the deadline of 30 September 2008.
- 63 Specific issues were raised in our final accounts audit work that misstatements existed particularly within fixed assets and concerns were raised around the Council's management of its asset base, which led to the issue of a qualified value for money conclusion.

The audit of the accounts and value for money

Review of Joint Venture Company (JVCo)

- 64 In January 2007, the Council entered into a Shareholders Agreement with Kier Support Service Ltd in order to create a Joint Venture Company (JVCo). We considered the strategic and operational implementation of the Joint Venture Company, seeking to measure progress against the partnership's original objectives and to understand how the Council is using the JVCo to improve service delivery. We have sought to identify major successes and any major barriers to improvement and draw out key learning points.
- 65 The review found that:
- the implementation of the JVCo has been well managed and a smooth and effective transition achieved, although the Council was only able to provide incomplete management information prior to commencement and this was a weakness. However, the Council's extension of the due diligence period was well used by both parties to ensure all necessary preparations had been made for contract commencement. The partners have successfully improved data on values and volumes during the first year of operation and this has been advantageous to both the Council and Kier Harlow Ltd;
 - the JVCo has clear and transparent governance structures which allow for input by each party at both strategic and operational levels. There is a strong working partnership relationship. Performance management and reporting frameworks are robust;
 - the Council's financial expectations are clear in respect of value for money. There is an explicit contractual requirement for continuous improvement, which the JVCo has begun to deliver by successfully introducing a number of innovations to improve business processes and service delivery and this has enhanced Council capacity; and
 - the financial model for the JVCo is predicated upon generating additional work, especially capital works. The requirement to move to a fixed price for housing repairs is a contract requirement, but it carries risks for both parties, especially the JVCo. Therefore, it is essential that the price is based upon sound information and clear expectations and non housing property repairs are given due prominence as the contract progresses.

Review of Budget Preparation Arrangements

- 66 During 2007/08 Harlow District Council's management information system identified a significant potential overspend of £1,769,000 compared to its original budget estimate of £15,777,000. We undertook a review to identify the reasons behind this overspend and confirm that the budget process adequately identifies and establishes a reasonable budget for the Council's funding needs and requirements. In addition, the review looked at whether service funding needs are adequately identified and reflected in the budget.

- 67 This review found that the Council's budget setting process has a number of strengths, including:
- the budget timetable currently in place is generally adhered to by service heads;
 - the use of the 'Star Chamber' process is widely recognised as a positive element of the process and helping ensure that the overall budget is realistic;
 - regular monitoring of budget expenditure is in place;
 - the Medium Term Financial Strategy clearly relates to the Council's aims and priorities and is supported by the Medium Term Financial Plan;
 - service budgets are appropriately linked to the Medium Term Financial Plan and the 2008/09 budget has been set with a prudent approach;
 - profiling of service budgets takes place and there are some cost centres where budget profiling has improved; and
 - managers are clear that there is an increased focus on the accountability and monitoring of finance headed by the new Strategic Director.
- 68 However, a number of areas for improvement were identified, as follows.
- The formal budget preparation process and Star Chamber input would benefit from commencing earlier to fully inform the budget.
 - Councillors should be provided with budget monitoring information as well as a comprehensive narrative for them to fully understand the detail behind the expenditure.
 - Budget monitoring reports should be made consistently available to all councillors.
 - The process would benefit if the Medium Term Financial Plan were used as a live tool and routinely reviewed and updated throughout the year.
 - Updating of profiled service budgets should be consistently applied across the Council.
 - Comprehensive service benchmarking with other councils to identify good practice should be consistently applied.
 - The systematic follow up of Internal Audit recommendations would ensure that weaknesses identified are resolved.

Benefits Service Diagnostic

- 69 The initial risk assessment for use of resources work identified some mixed performance in the past within the Benefits service. This diagnostic was used to identify if improvements to the Benefits service are sustainable and the extent of customer focus of the service.

The audit of the accounts and value for money

70 We concluded that:

- the Benefits service has made progress over the last year to improve processing times so that customers now receive payment more promptly;
- target setting is not effectively supporting performance improvement and the Benefits service risks falling short of top quartile performance levels for a sustained period;
- the Benefits service needs to do more work to raise the awareness of its contribution to wider corporate objectives;
- the Benefits service approach to understanding the needs of its customers and making the service more accessible is not fully effective; and
- the service does not yet maximise the support available to it from Contact Harlow.

Data quality

71 The Council's arrangements for ensuring data quality, which fed into our value for money conclusion, concluded that the arrangements demonstrated adequate performance at minimum requirements.

Grant claim certification

72 Certification of grant claims at the request of the grant paying body resulted in four of the six claims submitted for certification requiring amendment and one of the six claims requiring a qualification letter to accompany the certificate.

73 In addition, a new approach to our certification of the Housing Benefit grant claim was adopted, as required by the DWP. In line with a number of other councils the new approach identified some issues, including:

- difficulties in selecting the required sample from the benefits system to comply with the new sampling methodology, as data supporting the Performance Indicator used to determine the testing strategy was not sufficiently robust; and
- data input errors meant that amendments to the claim and further detailed testing was required.

74 We liaised with the responsible officers throughout the grant claims audits to resolve as many of the issues as possible prior to certification. However, the certification of the claim was qualified which was reported to the Department of Works and Pensions by the required deadline of the 30 November 2008.

Health inequalities in Essex

- 75 We reported on our assessment of the arrangements to reduce health inequalities in Essex in our 2007 Annual Audit and Inspection Letter. The audit identified four main areas to be addressed:
- strategic approach;
 - information and joint planning;
 - delivery and monitoring performance; and
 - political involvement.
- 76 We intend to follow up progress on this work as part of our 2009/10 audit.

Looking ahead

- 77** 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.
- 78** 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.
- 79** 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

- 80 This letter has been discussed and agreed with the Strategic Director. A copy of the letter was presented at the Audit and Improvement Committee on 23 March 2009. Copies need to be provided to all Council members.
- 81 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 2 Reports issued

| Report | Date of issue |
|------------------------------------|----------------|
| Audit and inspection plan | April 2007 |
| Review of Joint Venture Company | June 2008 |
| Annual Governance Report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Use of Resources | March 2009 |
| Direction of Travel | March 2009 |
| Annual audit and inspection letter | March 2009 |

- 82 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

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

Ian Davidson
Comprehensive Area Assessment Lead

24 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

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

2el: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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