

Annual Audit and Inspection Letter

Oldham Metropolitan 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 2008 corporate assessment identified a range of improved systems and processes and more effective implementation - but a slow and uncoordinated pace of improvement. Quality of life in Oldham remains below average and improvements in the Council's services lag behind performance elsewhere. The Council is now taking steps to modernise its arrangements; the assessment identified five key areas for improvement, which are now being addressed through the Council's Improvement Plan.
- 2 We have judged the Council's rate of improvement during 2007/08 as adequate. The overall rate of improvement increased and it addressed some areas where performance had previously deteriorated. However, improvement has been inconsistent; only 26 per cent of indicators were best quartile, against a national average of 30 per cent. The performance of some service areas - such as Adult Social Care - is good and continues to improve. But there are many areas - such as waste recycling, and benefits administration - where the pace of improvement is insufficient to support the Council's ambitions for Oldham.
- 3 Your appointed auditor reported separately to the Audit Committee on 29 September 2008 on the issues arising from our 2007/08 audit and has issued the 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 except insofar as they relate to:
 - maintaining a sound system of internal control; and
 - monitoring the quality of published performance information.
- 4 The draft financial statements were approved by the Audit Committee on 30 June 2008. We completed our review and issued an unqualified opinion on the 2007/08 Statement of Accounts on 30 September 2008. Both of the above met the statutory deadlines.
- 5 Some improvement has been made in relation to the extent of weaknesses and errors in the accounts which we reported last year but there are still significant weaknesses in the Council's financial reporting procedures. These weaknesses are reflected in our Use of Resources assessment.
- 6 In respect of Use of Resources, the Council improved its scores in the following areas.
 - Promoting external accountability (2 → 3).
 - Managing the asset base (1 → 2).
 - The arrangements in place to promote and ensure probity and propriety in the conduct of its business. (1 → 3).

- 7 Overall, we concluded that the Council demonstrates adequate performance in its use of resources but needs to continue to strengthen and improve its arrangements for producing its accounts. Internal financial control arrangements need to be improved by ensuring that monthly bank reconciliations are carried out.
- 8 The Council's overall management arrangements for ensuring data quality are at minimum requirements. However, whilst mechanisms to monitor the quality of published information are in existence at the Council our detailed work indicates that there are serious flaws in the implementation of those mechanisms that place the Council at risk of mis-informing members about its performance. This conclusion led us to qualify our 2007/08 value for money conclusion in this respect.

Action needed by the Council

- 9 2009/10 will be a challenging year for the Council. Delivering a comprehensive efficiency programme, a wide-ranging Improvement Plan and actions to achieve a more stable financial position will require effective leadership and management. It will also require effective prioritisation of tasks and good communication - internally to staff and externally to stakeholders.
- 10 Effective implementation of the Improvement Plan is a key priority - fundamental to achieving the ambitions for Oldham. For that to happen, the Council's delivery, programme and performance management arrangements must be robust and challenging, but also realistic.
- 11 To raise the performance of priority service areas, the Council needs to strengthen its prioritisation and target-setting arrangements and develop a better understanding of good and best practice adopted by highly performing councils. We have already started work to help the Council strengthen its benchmarking arrangements. For this work to have an impact, managers and Members will need to improve their ownership of performance data and be prepared to provide robust challenge to un-ambitious or inappropriate target-setting and delivery.
- 12 Members should monitor the action being taken to continue the improvements to financial reporting procedures.
- 13 The Council needs to strengthen and improve its arrangements for:
 - producing its accounts;
 - maintaining a sound system of internal financial control, ensuring in particular that monthly bank reconciliations are carried out; and
 - ensuring the quality of its published information.

Purpose, responsibilities and scope

- 14** 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 of January 2009.
- 15** 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.
- 16** 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.
- 17** 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 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.
- 18** 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.
- 19** I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Oldham Council performing?

20 The Audit Commission’s overall judgement is that Oldham Council is improving adequately; we have classified Oldham Council as two 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 single and upper tier councils in CPA



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

Source: Audit Commission

How is Oldham Council performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	2 star
Corporate assessment/capacity to improve	2 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	2 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 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

Direction of Travel Summary

21 Oldham Council is improving adequately. The overall rate of improvement has increased and now matches the national average in many areas, but improvement within some priority areas has been inconsistent. Adult Social Care is good with excellent prospects – Oldham continues to lead in the provision of care services tailored to the needs of the individual. Services for Children and Young People remain adequate overall although arrangements for safeguarding children have improved. Performance in housing has improved well, with fewer empty properties, more homes meeting decency standards and more people achieving stability after having been made homeless. Performance deterioration has been reversed in some areas, for example waste collection and recycling, and benefits administration has improved. However, other areas of importance to local people, such as the incidence of crime and health inequality have not improved. The Council has been slow to modernise and faces significant financial challenges; this is reflected in high overall costs meaning value for money is only adequate despite the improvement in services. Detailed proposals have been put in place to make the Council a better led and managed organisation, but it is too early to assess the impact of these.

Direction of Travel - Detailed report

- 22** Although performance within some of the Council's priority areas improved during the year, the rate of improvement has been inconsistent. A higher proportion of Indicators did improve relative to 2006/07; the pace of change matched the national average.
- 23** The Council's ability to meet or exceed performance targets within its priority areas improved, and it addressed some service areas where performance had previously deteriorated. For example, services for looked-after children, recycling rates and some services delivered through the Unity partnership all improved. However, only 26 per cent of indicators were best quartile, against a national average of 30 per cent. The following section of the report identifies progress against each of the Council's priority areas.

Community Cohesion

- 24** The Council has continued to work closely with its communities to improve the understanding of, and to capitalise on, the borough's cultural diversity. This approach is starting to have an impact; the 2008 'You and Your Community' survey of residents identified an increased sense of belonging, at street and neighbourhood level, since 2005.
- 25** The Council has refocused its approach to community leadership. For example, key strategies now include explicit measures to encourage better integration of separate communities. Ten new area committees have been established, with devolved budgets to tackle local service delivery issues. The Citizens' Plan, developed with partners, includes clear and challenging ambitions which allow progress to be measured and monitored. However, the outcome measures are not yet fully reflected in strategic and service-level plans and not sufficiently SMART to reflect local needs, or the views and aspirations of the borough's diverse communities.
- 26** During 2007/08, partnership working to tackle crime and the fear of crime had a significant impact in some areas - though overall crime levels in the borough remain high. For example, violent crime and motor vehicle crime both reduced by 17 per cent - helped in part by a successful approach to tackling alcohol-related crime in the town centre. Domestic burglaries reduced by 9 per cent, but Oldham continues to suffer from significantly more burglaries than similar areas. Some initiatives were less effective; key LAA improvement targets for tackling serious crime and serious acquisitive crime were not met. Operation Messenger - an initiative to promote the safety of young people at risk of sexual exploitation - achieved national recognition.
- 27** Although the performance of the Benefits service - which provides vital services for many of the borough's most vulnerable residents - improved significantly in some areas, overall performance remains comparatively poor. For example, the speed of processing housing and council tax benefits improved exceeded local targets but remain in the worst quartile. The accuracy of claims processing has also improved, but most of the Council's internal targets were not met.

How is Oldham Council performing?

An Improved Environment

- 28** Eighty per cent of indicators which measure environmental performance improved during 2007/08 - significantly higher than the national average. However, overall performance in this area is generally poor; for example, only 20 per cent of environmental indicators are in the best quartile compared to a national average of 28 per cent. Street cleanliness - which remains a priority for residents - improved, achieving the LAA stretch target a year ahead of schedule, but is still amongst the worst in the country. Whilst four of the five indicators which measure waste collection, recycling and composting rates improved, overall performance within this service area remains poor compared to similar areas.

A Prosperous Borough

- 29** Effective partnership working has supported the Council's efforts to promote employment growth and to improve the access to jobs for local people. Nearly 500 residents received support to secure a job during the first six months of 2008, and partnership activities contributed towards the creation of 1200 local jobs during 2007/08. Some of the initiatives provided targeted support. For example, the Passport to Employment project helped unemployed people to increase their skills and encouraged employers to recruit locally; as a result, 75 jobs at a new superstore went to long-term unemployed people and single parents. Local employers have also been benefiting from business support initiatives, including advice and guidance on local premises - which has helped the Council and its partners to exceed their target for new businesses over the last three years.
- 30** Overall, housing-related performance has improved. The Council's external assessment rating improved from adequate to good and half of the housing-related indicators improved - which is better than in 2006/07, but still below the national average. The Housing Market Renewal Pathfinder with Rochdale is implementing new approaches to building communities, and was assessed as 'performing strongly' by the Audit Commission in October 2008.
- 31** The first of eight PFI sheltered housing schemes (the largest in the country) was completed during the year. The proportion of non-decent homes has continued to reduce, down from 22 to 17 per cent and remains on target to meet the 2010 target. Homelessness acceptances also reduced and response times for urgent repairs improved back to best quartile performance, last achieved in 2005/06. Some measures continued to deteriorate, including the response time for non-urgent repairs, and private sector homes vacant for six months or more; both remain in the worst quartile.

Realising the Potential of Children, Young People and Families

- 32** The Council and its partners have a strong focus on raising the aspirations of young people and demonstrate a clear understanding of the relationship between raising educational attainment and social regeneration, wellbeing and cohesion. The Council has improved its ability to reach and engage with some hard-to-reach groups. For example, a higher than average proportion of young people stay in education and the number of young people involved in education, employment or training has increased - including those with learning difficulties and/or disabilities. The improvements are linked to effective intervention projects, including initiatives which target those at risk of disengaging with education and the expansion of vocational opportunities for 14 to 19 year olds, together with apprenticeship programmes. However, efforts to tackle youth offending rates have generally been less successful; although first-time offending rates did reduce; re-offending rates remain higher than average.
- 33** Ofsted's annual assessment judged that children's services remain adequate with good capacity for future improvement. Some areas - including outcomes for looked-after children - are good and the majority of those children and young people are well looked after and receive good multi-agency support. Safeguarding arrangements have improved; the arrangements for ensuring that children-in-need are identified and supported are good and the attainment of looked-after children is satisfactory. Good partnership work is helping to extend the range of opportunities available to children and young people within and outside school.
- 34** School attainment levels have improved in most areas, including KS2, and KS3 and for those achieving five or more GCSEs. At other stages, while overall attainment levels are mostly in line with or better than those of similar authorities, they remain below the national average in some areas.

A Healthy and Well-Cared for Community

- 35** Effective partnership working is supporting ambitions to reduce health inequalities and improve lifestyles in Oldham. Interventions are targeted towards areas and communities where health inequalities are highest, but the health inequalities gap between Oldham and the national average continues to widen.
- 36** The annual assessment by the Commission for Social Care Inspectorate judged Adult Social Care as good with excellent prospects for improvement; the Council continues to lead in the provision of care services tailored to the needs of the individual. The Council's focus for older people is on health and social care, but there are some examples of a wider range of services. More people received support to stay in their homes than in 2006/7 and the number receiving non-residential intermediate care significantly exceeded its target. The timeliness and completion of assessments continued to improve and the speed of equipment provision improved despite the significant increase in referrals. Some aspects have deteriorated; for example, the number of assessments completed within time remained within the worst quartile.

How is Oldham Council performing?

37 The Council places a strong emphasis on reducing health inequalities through a range of well-targeted sport and leisure activities - often in partnership. Services are targeted on the areas of greatest deprivation, with a clear focus on preventative care. For example, nearly all schools participated in the Healthy Schools Programme and 62 per cent of schools achieved Healthy School status.

An Improving Council, Striving for Excellence

38 The rate of improvement in areas such as overall satisfaction with the Council, complaints handling and transactional services - known collectively as corporate health - was slow. Only half of the corporate health indicators improved in 2007/08 - fewer than in recent years and only 13 per cent were best quartile compared to the national average of 22 per cent. For example, staff sickness levels were already amongst the worst in the country and deteriorated further during 2007/08; this has a significant impact on workforce capacity and on the Council's ability to improve.

39 The Council has adopted a more robust approach to customer care, to address the continued deterioration in complaints-handling. For example, it has recently launched its first customer access strategy, improved the Contact Centre infrastructure and implemented a customer relationship management system.

40 The Council also has plans to improve its arrangements for paying supplier invoices. Despite a slight improvement, it remains one of the worst local authorities in the country for late payments - which undermines its ambition for a prosperous borough. Under the current economic climate, smaller local suppliers may be unable to cope with the additional cash-flow pressures created by late payments.

41 The performance management framework is sound and well-supported. However, the framework is not implemented consistently and service user views are not adequately reflected. Progress at improving value for money has been limited - a new VFM strategy has been developed, but is not yet embedded or supported by strong leadership or systematic monitoring. The Council faces significant budget challenges, financial planning is not fully aligned to the corporate objectives and the Council does not clearly demonstrate how its priorities are funded.

Other Audit Commission work delivered during 2007/08

Corporate Assessment

42 A corporate assessment - incorporating a joint area review - was delivered during the year. The assessment identified a range of improved systems and processes and more effective implementation than was the case in 2004. For example, the Council now has clear ambitions and priorities and it provides good community leadership on the borough's interests in Greater Manchester. However, it judged that the Council's pace of improvement had been slow - it was uncoordinated and slow to introduce modern systems.

- 43** Quality of life in Oldham remains below average and improvements in the Council's services lag behind performance elsewhere. The Council is now taking steps to modernise its arrangements. For example, the corporate leadership structure has been revised to support the delivery of cross-cutting initiatives and a performance partner has been commissioned to enhance the Council's capacity for improvement. The assessment identified five key areas for improvement, which the Council is now addressing through its Improvement Plan, as follows.
- Accelerate efforts to narrow and/or eliminate gaps in the quality of life for Oldham residents, particularly for areas such as health inequalities.
 - Tackle departmental and organisational cultures and structures which are acting as barriers to modernisation and improvement.
 - Tackle weaknesses in financial management and improving arrangements for VFM, risk and asset management and procurement.
 - Improve the quality of action planning, the monitoring of action plans, the quality of performance data and the involvement of service users in performance management.
 - Collaborate with partners, to promote a positive and meaningful image for Oldham, within and outside the borough.

Strategic Procurement Review

- 44** The Council has been successful at strengthening the procurement team. Partnership working has also improved significantly over the last two years, with some notable success. AGMA links are stronger and there have been efficiencies gained, for example the use of the recruitment portal for agency staff. However, at the time of the review (March 2008) a number of key recommendations from the earlier peer review were incomplete, including:
- having the procurement forum in place and operating;
 - developing a forward plan (has begun but not yet agreed);
 - developing key performance indicators (KPIs);
 - undertaking a customer survey;
 - agreeing service level agreements (SLA) with Directorates; and
 - revising and updating the procurement strategy.
- 45** We highlighted that the pace of progress needed to accelerate if all aspects of the action plan were to be completed by June 2008.
- 46** We found the basic building blocks were in place to increase the prospects of improvement, such as increased capacity and more focus on joint working with Directorates. However, there was a lack of senior leadership driving the changes. Stronger leadership was needed to support the work of the procurement team and to progress the procurement agenda.

How is Oldham Council performing?

Access to Services Review

- 47** This review was timely, because for the past year, Oldham Council had been undergoing a comprehensive management reorganisation. As well as equipping the Council for modern service delivery, the changes were intended to project a positive image of the borough externally and transform the way residents regard both their town and the Council. Better relations with its customers, including more effective access to service, are an important part of that transformation.
- 48** Some services have improved their general performance significantly, and more responsive access for users has played a part in securing that improvement. There were some examples of good practice - benefits, waste collection, adult social services and street scene have all made measurable service improvements that have incorporated improved access to the service and resulted in greater public satisfaction.
- 49** However, these changes, though a positive sign of a changing ethos within the Council, were not yet part of a corporate framework based on a clear vision and leadership from the centre and communicated throughout directorates. The Council as a whole has not defined what it means by good access to services, so each service defines its own standards and approach. The changes given as examples above have originated from within the services themselves.
- 50** Operationally, the Council is steadily improving users' experience by installing the components of good access - single point access to a wider range of services, and first-language provision for example - and it has plans to use technology such as GIS and electronic document management to underpin more efficient service delivery. The performance of the contact centre is improving, with more calls answered and fewer abandoned.
- 51** Most of these systems are new, and have yet to have a significant effect on users' experiences. There are few corporate mechanisms for prioritising or coordinating improvements, or systematically measuring their effect, so that it will be difficult to demonstrate progress or direct resources to where they are most effective.
- 52** Service delivery is being increasingly influenced by neighbourhood working, with its potential to improve access to services by bringing the services closer to where people live. Area committees, with larger budgets and more decision making abilities have replaced the community councils, but plans for a number of customer access points in locations around the borough and the links between them and neighbourhood working were not yet clear.
- 53** Some elements of a corporate framework were beginning to appear. A customer services strategy was approved in April 2008 and the Council had just set up a customer services board. The board has not yet had time to make an impact but could go some way towards defining excellence in access to services and coordinating and prioritising activities.

54 We recommend that the Council should:

- gain a clear understanding of what its customers want from access to services and use that information to define standards of service access;
- propagate a consistent message that defines what good access means, coming from the top and repeated often. At present, though services are generally positive about improving access, they have their own interpretation of what that means. A common and clear understanding would help them work with and learn from one another;
- give the customer service board some accountability and measure of the success of its work; and
- monitor progress towards the corporate vision for good access with a small number of key indicators.

Cross Cutting Reviews

55 Two significant pan-Greater Manchester reviews were completed during the year - a follow-up review of Health Inequalities and a review of Community Safety. The outcome from these reviews has already been reported - the following paragraphs summarise the key findings.

Health Inequalities

56 The follow-up review explored progress against the main recommendations arising from the original review, which were published in February 2007. The key findings of the follow up work - presented to the Health Leadership Group during July 2008 - were as follows.

- Organisations across Greater Manchester had worked well together to meet the challenges of the jointly-agreed pledge, signed in December 2006 - including agreement and clarity about exactly what the major health-related issues are.
- A range of actions, many of which are significant, have been taken to support the population in improving their health, including the creation of child health inequalities standards and to tackle the impact of alcohol abuse.
- Joint working arrangements have developed significantly over the last two years - a GM Health Commission and a Public Health Practice Unit have been established and the appointment of the GM Centre for Voluntary Organisations Health Partnership Officer is regarded as an important development.

57 Despite the progress already made, significant health-related challenges remain - particularly around understanding and then addressing mental health inequalities and in improving engagement with the voluntary/community sector.

Community Safety

58 We carried out a review of community safety across Greater Manchester during 2008. Our review focused on how public sector partners are working together to tackle the impact of alcohol abuse on individuals, communities and agencies. The aim was to learn about what works well and what the barriers are to achieving a more significant impact on crime and disorder.

How is Oldham Council performing?

- 59** Eight Key Lines of Enquiry (KLOE) were developed to provide a consistent methodology and to focus our attention on the important aspects of alcohol abuse and its impact on community safety.
- Antisocial behaviour.
 - Drink driving.
 - Deaths and injuries from fires.
 - Town centre disorder.
 - Violence.
 - Underage drinking.
 - Attacks on staff.
 - Chronic alcoholism.
- 60** Following our fieldwork, we were able to conclude that there is a commitment across Greater Manchester to address the impact of alcohol abuse upon individuals and communities and this is yielding some success; but action to prevent alcohol abuse and reduce its community safety impact on individuals and communities is often still embryonic. Partners are not able to consistently demonstrate that this commitment will translate into improved long-term outcome.
- 61** Partnership arrangements are being enhanced through emerging groups such as the Greater Manchester Alcohol Strategy Group (GMASG) which has developed a clear leadership role and agenda from a health and social care perspective. However, Greater Manchester wide roles and responsibilities for addressing alcohol misuse are unclear. This manifests in a lack of clarity as to how strategic groups such as Greater Manchester Against Crime (GMAC) and GMASG interrelate and support each other.
- 62** There is good evidence of information and intelligence sharing within borough partnerships and of where this is being used and evaluated to good effect, such as in identifying crime incident hotspots in town or city centres. But opportunities exist to improve the use of data and knowledge across Greater Manchester as current arrangements are hindering better targeting of resources. There is limited use made of data sharing and analysis across borough boundaries. While data is gathered at a Greater Manchester level it is not being converted into meaningful information which is consistently informing strategic direction.
- 63** Partners are not fully capitalising on the opportunities to take a more integrated approach across health and criminal justice agendas. Joint working arrangements are not well developed and often inconsistent across the conurbation.

- 64** We also produced a specific report covering the Oldham area. This identified some specific strengths in Oldham's approach, as follows.
- Joint working between the Drug and Alcohol Action Team and youth services to reduce alcohol abuse, through approaches such as the OASIS project (Oldham Alcohol and Substance Intervention Service).
 - Clear emphasis on reducing underage consumption of alcohol by the police working closely together with trading standards.
 - Good links exist between Courts, Criminal Justice, community groups and Probation. There is a Judge on the Criminal Justice tactical group working to deliver improvements connected to alcohol and criminal justice.
 - Partners are becoming more aware of alcohol as a priority area. The new LAA (local area agreement) includes a target for reducing alcohol related admissions to hospital within accident and emergency (A&E) departments. More recently, the Council's Scrutiny function has started work on the links between alcohol and anti social behaviour. This is an illustration of how tackling alcohol related issues are becoming more of a priority within LSP and the Crime and Disorder Reduction Partnership than in the past.
- 65** However, the partnership focus over the last 18 months has been on the delivery of the LAA and reorganisation of its partnership arrangements. As a result it has struggled to develop a borough wide Alcohol Strategy.

The audit of the accounts and value for money

- 66** Your appointed auditor reported separately to the Audit Committee on 29 September 2008 on the issues arising from our 2007/08 audit and has issued:
- the 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 except insofar as they relate to;
 - maintaining a sound system of internal control; and
 - monitoring the quality of published performance information; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Key issues arising

- 67** The draft financial statements were approved by the Audit Committee on 30 June 2008. We completed our review and issued an unqualified opinion on the 2007/08 Statement of Accounts on 30 September 2008. Both of the above met the statutory deadlines.
- 68** Some improvement has been made in relation to the weaknesses and errors we reported last year but there are still significant weaknesses in the Council's financial reporting procedures. These weaknesses are reflected in our Use of Resources assessment.
- 69** As in previous years we identified a significant number of major errors which resulted in amendments to the financial statements, although none of the errors materially affected the revenue outturn position.
- 70** There were weaknesses in the accounts preparation process, in particular:
- Insufficient management review of the draft financial statements prior to audit, and
 - Mixed quality of working papers supporting the accounts, ranging from comprehensive to poor.
- 71** Officers have already taken action on our recommendations to secure improvements to financial reporting procedures in the current year.

Use of Resources

72 The findings of the auditor are an important component of the CPA framework. 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).

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

Table 2

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

74 The Council has improved its Use of Resources scores in the following areas.

- Promoting external accountability (2 → 3).
- Managing the asset base (1 → 2).
- The arrangements in place to promote and ensure probity and propriety in the conduct of its business. (1 → 3).

The audit of the accounts and value for money

75 Overall, we concluded that the Council demonstrates adequate performance but needs to continue to strengthen and improve its arrangements for producing its accounts. Internal financial control arrangements need to be improved by ensuring that monthly bank reconciliations are carried out.

Financial reporting

76 Arrangements for producing the accounts showed some improvement during 2007/08. However, many material and non trivial adjustments were again required to the accounts presented for audit.

77 The Council promotes public accountability by consulting with key stakeholders and by producing and publishing a suitable range of documents for the public.

Financial management

78 There are a number of areas where the Council has already recognised that improvement is required and development in these areas is a priority. For example:

- the corporate business plan should drive the medium-term financial strategy (MTFS) and internal resource allocation, with changes in allocations determined in accordance with policies and priorities;
- the Council's Medium Term Financial Strategy needs to be more clearly linked to other internal strategies and plans such as human resources and IT;
- budgets need to be clearly linked to business plans, activity plans and operational activity indicators;
- relevant non-financial and financial information, in addition to the budget, should be reported to members and acted upon; and
- asset management needs to be strengthened.

Financial standing

79 The Council managed a challenging financial situation and achieved savings to maintain its General Fund balance. Key issues include the following.

- The management of debt has improved but has yet to be embedded for all material categories of income.
- The Council has yet to develop monitoring information which evaluates the effectiveness, including associated costs, of debt recovery action.
- The Council's targets for income collection and recovery of arrears should stretch performance and their achievement should be monitored.
- The Council should set challenging targets for a comprehensive set of financial health indicators.

Internal control

- 80** The Council has strengthened its risk management arrangements, including those with significant partnerships, but they are not yet consistently applied across the Council.
- 81** The Council has adequate arrangements in place to maintain a sound system of internal control except that for most of 2007/08, there were no regular bank reconciliations.
- 82** The Council's arrangements designed to promote and ensure probity and propriety in the conduct of its business have improved significantly this year.

Value for Money

- 83** Oldham continues to deliver adequate value for money (VFM). The Council is achieving efficiency gains, but there is little evidence of a co-ordinated, systematic and longer term approach to securing VFM. The introduction of a VFM strategy is a positive improvement, but if it is to be successful, it needs strong leadership and the monitoring of compliance throughout the Council.
- 84** The Council introduced a peer challenge framework to ensure that services were consistent with, and supporting delivery of, the Council's ambition, including VFM. The process highlighted areas where more fundamental work is needed to secure consistently better VFM. Further improvements depend on Oldham improving its performance relative to other councils.
- 85** There is a positive trend in improvement in many services, including looked after children, recycling and some Unity delivered services. Much effort has also gone into increasing investment in front line services through changes in back office functions. Despite this, the Council's position relative to other councils is unchanged or worsening.
- 86** Service performance relative to cost in Oldham is variable. Some services, such as planning and adult social care, attain comparable or better cost per head of population and achieve or exceed target levels of performance. However, in many other areas, such as waste collection, costs are the same or higher than other similar councils and yet levels of performance are lower. Education results, although improved, are still only comparable with the average of other similar authorities.
- 87** The two year transformational programme for procurement has slipped and although it has now delivered some savings, these were significantly below target and our review highlighted some fundamental weaknesses.
- 88** To improve arrangements further, the Council needs to:
- deliver sustained improvement in the delivery of key services and close the gap between Oldham and similar councils; and
 - embed a more systematic and co-ordinated approach to securing VFM across all areas of the Council.

The audit of the accounts and value for money

Data quality

- 89** The Council's overall management arrangements for ensuring data quality are at minimum requirements. However, whilst mechanisms to monitor the quality of published information are in existence at the Council our detailed work indicates that there are flaws in the implementation of those mechanisms that place the Council at risk of mis-informing members about its performance. This conclusion impacted upon our VFM assessment for the Council for 2007/08.
- 90** The comprehensive data quality policy, introduced in May 2007, has recently been updated and should help to improve arrangements and reinforce the message that accurate data is important. Data sharing protocols with the Council's main partners have been developed which should provide reassurance about the use of third-party data. However, there is little evidence in practice that the Council retains ownership for the quality of data being submitted by those organisations and subsequently reported to members.
- 91** Our review and spot checks of seven Performance Indicators (PIs) selected or mandated for review concluded that all were fairly stated. However, a number of issues were identified during the course of our fieldwork which impacted primarily upon the management arrangements and VFM conclusion, as follows.
- We found that the quality of in-year monitoring of PIs was variable. The predominant focus is on performance against target at the expense of a challenge of data quality. There is a danger that members may be misinformed about the true level of performance.
 - Staff training in relation to data quality and the importance of its role in performance management needs to be strengthened.
 - For some PIs, there was insufficient evidence that guidance had been correctly applied.
 - Despite qualification last year little work has been done to address our previous recommendations.
- 92** An action plan to address the issues arising from this review has been agreed with officers.

Advice and Assistance work

- 93** We did not carry out any work at Oldham Council in 2007/08 under this category.

Looking ahead

- 94** 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.
- 95** 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.
- 96** 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

97 This letter has been discussed and agreed with the Chief Executive and the Executive Director for Performance, Capacity and Services. A copy of the letter will be presented at the next audit committee in June 2009. Copies need to be provided to all Council members by the 31 March 2009. 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	January 2009
Corporate Performance Assessment Report and Joint Area Review	January 2009
Strategic procurement review	May 2008
Access to Services	July 2008
Community Safety	November 2008
Use of Resources report	February 2009
Annual audit and inspection letter	March 2009

98 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

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

Name Pat Johnson
Comprehensive Area Assessment Lead

Date 19 March 2009

The Audit Commission

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