

Date: 17 September 2007

TO: All Members of the Audit and  
Governance Committee  
FOR ATTENDANCE

TO: All Other Members of the Council  
FOR INFORMATION

Dear Sir/Madam

Your attendance is requested at a meeting of the **AUDIT AND GOVERNANCE COMMITTEE** to be held in the **GUILDHALL, ABINGDON** on **TUESDAY, 25TH SEPTEMBER, 2007** at **7.00 PM**.

Yours faithfully

Terry Stock  
Chief Executive

Members are reminded of the provisions contained in Part 2 of the Local Code of Conduct, and Standing Order 34 regarding the declaration of Personal and Prejudicial Interests.

## **A G E N D A**

### **Open to the Public including the Press**

A large print version of this agenda is available. In addition any background papers referred to may be inspected by prior arrangement. Contact Jason Lindsey, Democratic Services Officer, on telephone number (01235) 540306 / [jason.lindsey@whitehorsedc.gov.uk](mailto:jason.lindsey@whitehorsedc.gov.uk).

### **Map and Vision**

(Page 6)

A map showing the location of the venue for this meeting, together with a copy the Council Vision are attached.

**1. Notification of Substitutes and Apologies for Absence**

To record the attendance of Substitute Members, if any, who have been authorised to attend in accordance with the provisions of Standing Order 17(1), with notification having been given to the proper Officer before the start of the meeting and to receive apologies for absence.

**2. Minutes**

To adopt and sign as a correct record the Minutes of the meeting of the Committee held on 27 June 2007 (previously circulated with the Council's Summons for a meeting dated 18 July 2007).

**3. Declarations of Interest**

To receive any declarations of Personal or Personal and Prejudicial Interests in respect of items on the agenda for this meeting.

In accordance with Part 2 of the Local Code of Conduct and the provisions of Standing Order 34, any Member with a personal interest must disclose the existence and nature of that interest to the meeting prior to the matter being debated. Where that personal interest is also a prejudicial interest, then the Member must withdraw from the room in which the meeting is being held and not seek improperly to influence any decision about the matter unless he/she has obtained a dispensation from the Standards Committee.

**4. Urgent Business and Chair's Announcements**

To receive notification of any matters, which the Chair determines, should be considered as urgent business and the special circumstances, which have made the matters urgent, and to receive any announcements from the Chair.

**5. Statements and Petitions from the Public Under Standing Order 32**

Any statements and/or petitions from the public under Standing Order 32 will be made or presented at the meeting.

**6. Questions from the Public Under Standing Order 32**

Any questions from members of the public under Standing Order 32 will be asked at the meeting.

**7. Membership of the Committee - Article 8 of the Constitution**

In accordance with Article 8 of the Council's Constitution – Regulatory and Other

Committees, the membership of the Audit and Governance Committee will normally include a District Councillor from the Standards Committee, at least one Member of the Executive and at least two Members of the Scrutiny Committee. The Article states that the meeting would not normally be chaired by the Member of the Executive. The current Chair is Councillor Tony de Vere, the Executive Member with responsibility for Finance. In view of the advice set out in Article 8, Councillor de Vere has advised of his intention to resign as Chair before the next meeting of the Committee but remain as a Member of the Committee. The election of a new Chair for the remainder of the 2007/08 Municipal Year will be the first item of business at the next scheduled meeting of the Committee on 15 January 2008.

**8. External Audit and Inspection Plan 2007/08**

(Pages 7 - 28)

Members will recall that at the last meeting of the Committee (Minute AG.13 refers), the External Audit and Inspection Plan 2007/08 was noted and in the absence of the External Auditor it was agreed to discuss the report further at this meeting. A copy of the Plan is attached.

**9. 2006/07 Financial Statements**

This Committee approved the draft 2006/07 Statement of Accounts at its meeting on 27th June. Since that date the External Auditor has been conducting her audit. This note provides the Committee with a progress report.

Under the closedown arrangements the statutory deadline for completing the Audit is 30 September 2007. The Audit will be completed by that date and the accounts will be finalised by the inclusion of the Auditor's signed audit report, including his opinion and certificate.

During the Audit a number of adjustments have been agreed with the Auditor to provide additional information or clarification. These adjustments will be explained by the Strategic Director and Chief Finance Officer at the meeting.

A copy of the Statement of Accounts as now amended (report 64/07) is circulated as a separate document.

**Recommendation**

*that the amended 2006/07 financial statements be approved and the imminent completion of the Audit process be noted.*

**10. External Auditor's Annual Governance Report**

(Pages 29 - 51)

As the Council's External Auditor, the Audit Commission has a duty to report to those charged with governance certain matters before an opinion is given on the financial statements. These matters are:

- (a) expected modifications to the Auditor's report
- (b) unadjusted misstatements
- (c) material weaknesses in the accounting and internal control systems identified during the Audit
- (d) views on the qualitative aspects of the accounting practices and financial reporting
- (e) matters specifically required by other Auditing Standards to be communicated to those charged with governance
- (f) any other relevant matters relating to the Audit.

This Committee is responsible for receiving the External Auditor's Management Letters and reports on Annual Corporate Governance matters and determining, on behalf of the Council, whether the Executive or an appropriate Committee or both should take action to respond to such matters. A copy of the Annual Governance Report (65/07) is attached.

**Recommendation**

*The Committee is asked to consider the External Auditor's 2006/07 Annual Governance report and the Chief Finance Officer's comments in order to determine whether any further actions are required in light of the Auditor's comments.*

**11. Internal Audit Management Report Quarter 2**

(Pages 52 - 60)

**Introduction and Report Summary**

The purpose of this report is:

- to summarise the progress of Internal Audit against the 2007/2008 audit plan;
- to set out the revised Internal Audit allocation and remaining audit plan for 2007/2008, and to explain the process used for re-calculating the resources available; and
- to summarise the priorities and planned audit work for 2007/2008 Quarter 3.

The Contact Officer for this report is Adrianna Penn, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

**Recommendations**

- (a) *that Members note the content of the report; and*
- (b) *that Members approve the revised Internal Audit allocation for 2007/2008.*

**12. Internal Audit Activity Report (2007/08)**

(Pages 61 - 77)

**Introduction and Report Summary**

The purpose of this report is to summarise the outcomes of recent internal audit activity for the Committee to consider. The Committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.

The Contact Officer for this report is Adrianna Penn, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

**Recommendation**

*that Members note the content of the report.*

**Exempt Information Under Section 100A(4) of the Local Government Act 1972**

None



## OUR VISION AND AIMS

Our Vision is to build and safeguard a fair, open and compassionate community

The Vale of White Horse District Council aims to:

Strengthen local democracy and public involvement through access to information, consultation, and devolution of power so that everyone can take part in our community and contribute to the decisions which affect our lives

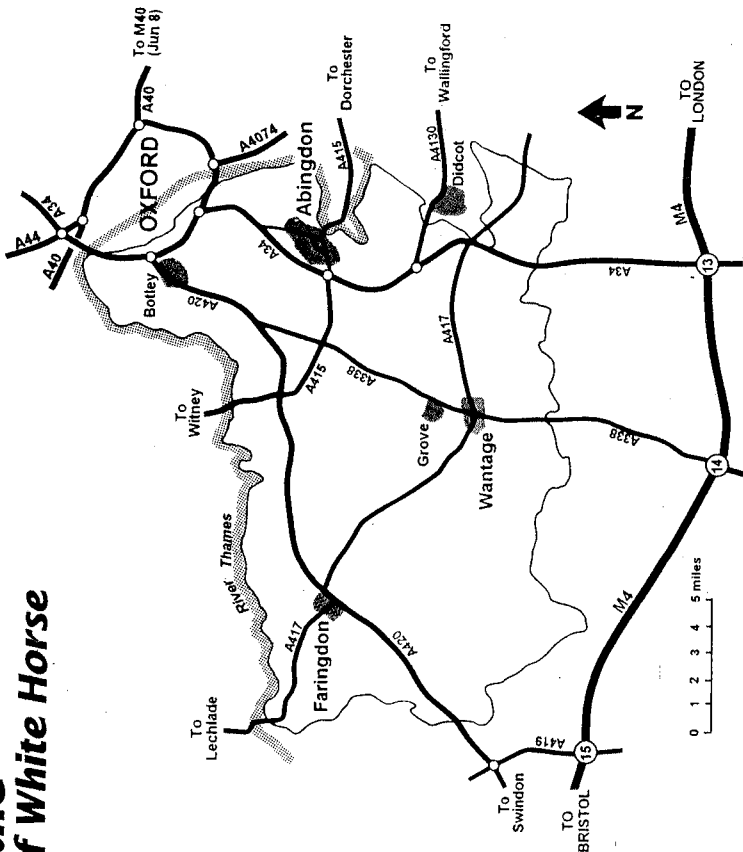
Create a safer community and improve the quality of life among Vale residents

Encourage a strong and sustainable economy which benefits all who live in, work in or visit the Vale

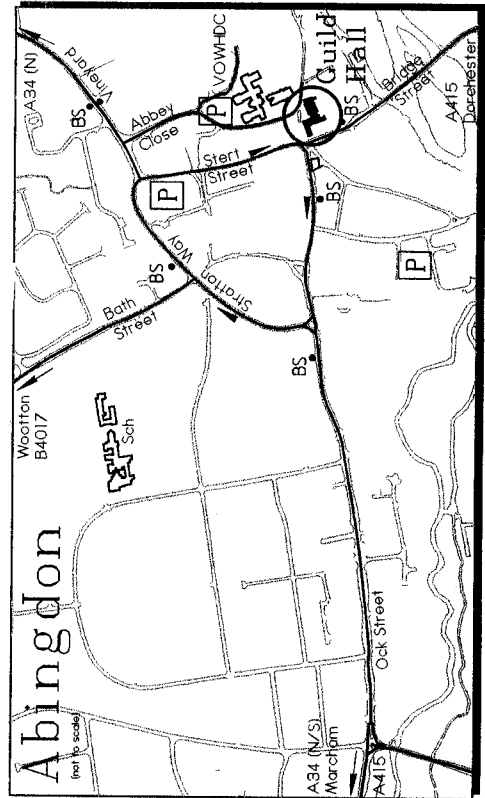
Help disadvantaged groups and individuals within the Vale to realise their full potential

Provide and support high quality public services which are effective, efficient and responsive to the needs of people within the Vale

Protect and improve our built and natural environment



Guildhall, Abingdon



KEY : BS = Bus Stop



# Audit and Inspection Plan

**Vale of White Horse District Council**

**Audit 2007/2008**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports to the Council**

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 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.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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For further information on the work of the Commission please contact:

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Introduction

- 1 This plan has been developed by the Relationship Manager and appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
  - audit and inspection work specified by the Audit Commission for 2007/08;
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

## Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
  - the Audit Commission Act 1998;
  - the Local Government Act 1999 (best value inspection and audit); and
  - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
  - the financial statements (including the statement on internal control (SIC)); and
  - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

## CPA and Inspection

- 8 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2006, the Council was categorised as fair. In planning our work we have also considered the developments in corporate processes and performance noted since the CPA assessment.
- 10 We have applied the principles set out in the CPA framework, *CPA – district council framework from 2006*, recognising the key strengths and areas for improvement in the Council's performance.
- 11 Strengths in the Council's performance include:
  - Improving clarity around the organisations corporate objectives.
  - A robust framework for organisational development.
  - Stronger communication and leadership from senior management.
- 12 Areas for improvement in the Council's performance include:
  - Further outlining of specific actions and targets to underpin improvement plans.
- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

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**Table 1      Summary of inspection activity**

Inspection activity	Reason/impact
Relationship Manager (RM) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders. Through this role we will keep you up to date on developments in comprehensive area assessments (CAA).
Direction of travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the annual audit and inspection letter. The DoT assessment summary will be published on the Commission's website.

## Work under the Code of Audit Practice

### Financial statements

- 14 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 15 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 16 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

### Use of resources

#### Value for money conclusion

- 17 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 18 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 19 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

#### Use of resources assessment

- 20 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 21 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

- 22 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes:

Theme	Description
Financial reporting	<ul style="list-style-type: none"> <li>• Preparation of financial statements.</li> <li>• External reporting.</li> </ul>
Financial management	<ul style="list-style-type: none"> <li>• Medium-term financial strategy.</li> <li>• Budget monitoring.</li> <li>• Asset management.</li> </ul>
Financial standing	<ul style="list-style-type: none"> <li>• Managing spending within available resources.</li> </ul>
Internal control	<ul style="list-style-type: none"> <li>• Risk management.</li> <li>• System of internal control.</li> <li>• Probity and propriety.</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• Achieving value for money.</li> <li>• Managing and improving value for money.</li> </ul>

- 23 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 24 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

## Data quality

- 25 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- Stage 1 - management arrangements;
  - Stage 2 - completeness check; and
  - Stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 26 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 27 Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

## **Best Value Performance Plan**

- 28 We are required to carry out an audit of your best value performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

## Assessing risks

- 29** The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 30** Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers;
  - liaison with internal audit; and
  - the results of other review agencies' work where relevant.
- 31** We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in November 2007. At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- significant changes to financial systems in the year as part of the move to shared services with South Oxfordshire District Council; and
  - further requirements for changes to the format of the accounts from the Statement of Recommended Practice (SORP).
- 32** For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 33** Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

## Work specified by the Audit Commission

### Whole of government accounts (WGA)

- 34 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

### National Fraud Initiative

- 35 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

## Voluntary improvement work

- 36 We are not proposing to do any voluntary improvement work at Vale of White Horse during 2007/08.

## Certification of grant claims and returns

37 We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

## The audit and inspection fee

- 38 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 39 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £97,075 which compares with the planned fee of £93,500 for 2006/07.
- 40 This fee does not include work on Health Inequalities or securing the savings from joint working outlined in appendix 1 as the scope and pricing of these two cross cutting pieces of work is not yet complete.
- 41 Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions Vale of White Horse District Council could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 42 In addition we estimate that we will charge approximately £31,000 for the certification of claims and returns.
- 43 As indicated in paragraphs 2 and 33, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 39 above. Any changes to the fee will be agreed with you.

## Other information

### The audit and inspection team

- 44 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

**Table 2**

Name	Contact details	Responsibilities
Maria Grindley Relationship Manager	m-grindely@audit-commission.gov.uk 0844 798 8952	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Maria Grindley District Auditor	As above	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Audit Committee.
Mary Fetigan Audit Manager	m-fetigan@audit-commission.gov.uk 07747 131606	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Strategic Directors.
Lorraine McMullen Local Performance Lead	l-mcmullen@audit-commission.gov.uk 07747 760833	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment.

### Independence and objectivity

- 45 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 46 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

## Quality of service

- 47 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Relationship Manager - District Auditor in the first instance. Alternatively you may wish to contact the South Central Head of Operations, Neil Childs.
- 48 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission's website or on request.

## Planned outputs

- 49 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit committee.

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**Table 3**

Planned output	Indicative date
Opinion Audit Plan	November 2007
Data Quality report	November 2007
Interim Audit Memorandum	June 2008
Annual Governance report	30 September 2008
Opinion on the financial statements and value for money conclusion	30 September 2008
Final Accounts Memorandum (to the Director of Finance)	October 2008
Use of Resources report	31 December 2008
Annual Audit and Inspection Letter	March 2008
BVPP report	31 December 2008

## Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Progress in promoting diversity and equalities has been poor. There is a risk that services will no longer sufficiently meet the needs of all users.	The Council's restructure has created the capacity to progress these agendas and the draft Organisational Development Strategy provides a framework to take them forward.	Yes	We will ensure that the council is taking the action planned as part of the work on VFM conclusion.	VFM conclusion criteria 2: Ensuring that services meet the needs of users.
Some service plans and improvement plans are currently not sufficiently underpinned by detailed targets and actions. There is therefore a risk that the anticipated improvements in performance will not be secured.	The Council is in the process of mapping out these details	Yes	We will ensure that the Council is taking the action planned as part of the work on the VFM conclusion.	VFM conclusion criteria 3: Monitoring and Review of performance.
Maximising the impact of work to reduce health inequalities requires close co-ordination and shared vision between health bodies, local government and other partners. There is a risk that opportunities are not being fully secured in this challenging and complex area.	Not fully known at present	Yes	We will conduct a review across Oxfordshire on health inequalities involving all health and local government bodies.	KLOE 5.2, VFM conclusion criteria 2: Ensuring that services meet the needs of users.

<b>Significant risks identified</b>	<b>Mitigating action by audited body</b>	<b>Residual audit risk</b>	<b>Action in response to residual audit risk</b>	<b>Link to auditor's responsibilities</b>
Partnership working Opportunities for closer working across and outside Oxfordshire may be missed resulting in few improvements to two tier working and the missed opportunity of efficiency gains.	The Council is currently involved in a number of joint services with South Oxfordshire District Council. In addition it meets with other DCs across Oxfordshire to discuss specific areas where closer working may be possible.	Yes	We will review joint working across Oxfordshire.	UoR KLOE 5.1 and VFM conclusion.

## Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

**Table 4**

<b>Audit area</b>	<b>Planned fee 2007/08 £</b>	<b>Planned fee 2006/07 £</b>
<b>Audit</b>		
Financial statements	63,250	53,000
Use of resources (including BVPP)	17,250	26,000
Data quality	7,500	8,500
Whole of government accounts	2,000	Not included
National Fraud Initiative	575	Not included
Total audit fee	90,575	87,500
<b>Inspection</b>		
Relationship management	3,250	3,000
Direction of Travel	3,250	3,000
Total inspection fee	6,500	6,000
Total audit and inspection fee	97,075	93,500
Certification of claims and returns	31,000	27,000

- 2 The Audit Commission scale fee for Vale of White Horse Council audit is £93,000. The fee proposed for the audit elements of the plan for 2007/08 is -3 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.
- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 4 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 5 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.

## **Specific audit risk factors**

- 6 In setting the audit fee we have taken into account the following specific risk factors:
  - the developing shared service arrangements with South Oxfordshire District Council; and
  - the level of reliance we are able to place on Internal Audit work.

## **Assumptions**

- 7 In setting the fee, we have assumed that:
  - you will inform us of significant developments impacting on our audit;
  - internal audit meets the appropriate professional standards;
  - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
  - good quality working papers and records will be provided to support the financial statements by 1 July 2008;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 8 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 9 Changes to the plan will be agreed with you. These may be required if:
  - new residual audit risks emerge;
  - additional work is required of us by the Audit Commission or other regulators; and
  - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Specific actions Vale of White Horse Council could take to reduce its audit and inspection fees**

- 10 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions Vale of White Horse Council could take:
- provide evidence files for the Use of Resources assessment;
  - ensure that Internal Audit work fully addresses Audit Commission requirements; and
  - ensure that all final accounts working papers and responses are clear and promptly provided.

## **Process for agreeing any changes in audit fees**

- 11 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the Chief Executive and the Strategic Director. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

## Appendix 3 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Annual Governance Report

Date

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# **Annual Governance Report**

**Vale of White Horse District Council**

**Audit 2006/07**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Mary Fetigan

Filename Annual Governance Report.doc

### **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.

### **Copies of this report**

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For further information on the work of the Commission please contact:

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Audit and Governance Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit and Governance committee on 25 September 2007. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Authority and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that was presented to the Council in April 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

## Key messages

- 6 Our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. In particular, our Audit Manager and District Auditor review has yet to be concluded. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with The Audit and Governance Committee on the 25 September 2007. We propose issuing an unqualified audit opinion on 25 September 2007 (a draft report is attached at Appendix 4).
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is substantially complete. We propose issuing a qualified Value for Money conclusion on 25 September 2007 (a draft report is attached at Appendix 4). The qualification will be issued in relation to arrangements to maintain a sound system of internal control. Particular areas of concern are the lack of assurance framework to support the Statement of Internal control and the lack of procedure notes or manuals for business critical systems.

DRAFT

## Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete although there are still outstanding issues to be resolved. In particular our opinion on the financial statements and the Use of Resources conclusion have yet to be completed as noted in this report.
- 10 The Authority has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Authority's assistance and co-operation.

DRAFT

## Accounts and Statement on Internal Control

- 11 Our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. In particular, our Audit Manager and District Auditor review has yet to be concluded.
- 12 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 13 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 14 The final draft of the letter of representation has been attached as Appendix 5.

## Unadjusted misstatements

- 15 There are no non-trivial unadjusted misstatements.

## Adjustments to the financial statements

- 16 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. These are recorded in full at Appendix 6 but we provide an analysis of the most significant items below for your attention.
- 17 The key amendments to the accounts are summarised below:
  - £1.7m of creditors were originally accounted for as receipts in advance within note 23 to the balance sheet.
  - £2.5m of Non Domestic Rate (NDR) income in advance and £0.6m of council tax income in advance were originally accounted for as creditors within note 23 to the balance sheet.
  - The Statement of Internal Control did not accurately reflect the control weaknesses in key financial systems
  - The Statement of Total Recognised Gains and Losses (STRGL) contained £666k 'other movements' in error. The accounts have been amended in a number of areas shown in appendix 6 and the 'other movements' have been correctly reduced to zero.

*R1 Agree to the amendments to the accounts outlined in appendix 6*

## Accounting practices

- 18 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting. In general the working papers and response to audit queries were good. However the speed and quality of responses to NDR queries could be improved.

*R2 Ensure prompt and accurate responses to audit queries*

## Systems of internal control

- 19 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. Key concerns are outlined below:

- There is insufficient separation of duties regarding the entry of journals into the main accounting system.
- The format of the bank reconciliation remains inadequate in that it does not include all accounts, those that are included are not all reviewed individually and the reconciliation includes prior year adjustments.

- 20 We have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.

- 21 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. The assurance framework for production of the Statement of Internal Control was weak relying on a brief commentary from Deputy Directors.

*R3 Strengthen controls over journals entries to the accounting system*

*R4 Ensure that bank reconciliations are:*

- Completed individually for every bank account
- Free of long standing reconciling items

*R5 Develop a strong annual assurance framework for the Statement of Internal Control*

# Value for Money Conclusion

## Work performed

- 22** The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
  - data quality work; and
  - the best value performance plan.
- 23** Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 8.
- 24** We are currently expecting to issue a qualified Value For Money Conclusion on 25 September 2007. The basis of the qualification with regards the system of internal control will be explained more fully at the meeting when the outstanding work has been completed.

## Data quality work

- 25** We are currently finalising our data quality review and will report our findings to the relevant officers.

## Best value performance plan

1. Our work in respect of the Authority's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Audit fee update

- 26** We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	<b>Plan 2006/07</b>	<b>Actual 2006/07</b>
Financial statements and Statement on Internal Control	£53,000	Note 1
Use of Resources	£34,000	Note 1
Total Audit Fees	£87,500	Note 1
Grants certification work	£27,000	Note1
Other work	£10,240	£10,240

- 27** The final fees for these elements of the audit are likely to be higher than the planned fees due to:
- Increased work required on key financial systems due to less reliance placed on Internal Audit work than anticipated
  - Changes of financial system
  - The need to complete more work around concerns over shared service operations
  - The need to complete a full review of the NDR claim due to changes to the control environment.

The fee will be finalised on completion of the audit.

- 28** The outturn on inspection fees will be reported in the annual audit and inspection letter.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
7	<i>R1 Agree the amendments to the financial statements outlined in appendix 6</i>	3				
8	<i>R2 Ensure prompt and accurate responses to audit queries</i>	2				
8	<i>R3 Strengthen controls over journals entries to the accounting system</i>	2				

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8	<p><i>R4 Ensure that bank reconciliations are:</i></p> <ul style="list-style-type: none"> <li>Completed individually for every bank account</li> <li>Free of long standing reconciling items</li> </ul>	3				
8	<p><i>R5 Develop a strong annual assurance framework for the Statement of Internal Control</i></p>	2				

## Appendix 2 – The Audit Commission's requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

## Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	31 March 2006	31 March 2006	The Council
Annual governance report	30 Sept 2007	25 Sept 2007	Audit and Governance Committee
Opinion on financial statements	30 Sept 2007	25 Sept 2007	The Council
Value for Money conclusion	30 Sept 2007	25 Sept 2007	The Council
Final accounts memorandum	End of Oct 2007		Audit and Governance Committee
BVPP report	Dec 2006	Dec 2006	The Council
Securing Improvement	March 2007	July 2007	The Council
Annual audit letter	March 2008		The Council

## Appendix 4 – Proposed auditor's report

### Independent auditors' report to the Members of Vale of White Horse District Council

#### Opinion on the financial statements

I have audited the financial statements of Vale of White Horse District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Vale of White Horse District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Maria Grindley  
District Auditor  
Unit 5, Isis Business Centre,  
Horspath Road  
Cowley,  
Oxford OX4 2RD

25 September 2007

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Vale of White Horse District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007 except for..... (to be completed and reported to Audit and Governance Committee on 25 September 2007)

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Maria Grindley  
District Auditor  
Unit 5, Isis Business Centre,  
Horspath Road  
Cowley,  
Oxford OX4 2RD

25 September 2007

## Appendix 5 – Management representation letter

Dear Maria

Vale of White Horse District Council:  
Audit of 2006/07 Financial Statements – Letter of Representation

### Letter of Representation

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers of the Authority, the following representations given to you in connection with your audit for the year ended 31 March 2007.

- the information provided is complete
- there are no significant contingent liabilities other than those disclosed in the notes to the balance sheet
- there are no material events or change in circumstances that indicate a reduction in value of the Authority's fixed assets as defined in the Code of Practice on Local Authority Accounting
- there is no significant pending litigation, proceedings or claims other than those disclosed in the statement of accounts
- there are no significant post balance sheet events which would require adjustment to or disclosure in the statement of accounts other than those already disclosed
- there are no instances of non-compliance with laws or regulations likely to have a significant effect on the finance or operations of the authority
- there are no other material transactions with related parties other than those which have been properly recorded and disclosed
- there are no known significant instances of irregularities, including fraud, other than those already disclosed to the auditor.

Please do not hesitate to contact Steve Bishop if you require further information.

Yours sincerely

Steve Bishop Councillor  
Strategic Director  
(Chief Finance Officer)

Tony de Vere  
Chair of Audit & Governance  
Committee

## Appendix 6 – Summary of adjusted misstatements

- 1 The following misstatements were identified during the course of our audit and the financial statements have been adjusted by management. We bring them to your attention to assist you in fulfilling your governance responsibilities.

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Creditors originally recorded as income in advance within note 23	Income in advance - note 23			1,735	
	Creditors - note 23				1,735
	<b>No impact on balance sheet</b>				
income in advance originally recorded as creditors within note 23	Council Tax payers - note 23			594	
	Business rate payers - note 23			2,483	
	Income in advance				3,077
	<b>No impact on balance sheet</b>				

Adjusted misstatements	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Statement of Total Recognised Gains and Losses	Removal of items under 'other movements'	409			
	Various movements to I & E and balance sheet		409		
STRGL 05/6	Removal of items under 'other movements'	445			
	Various movements to I & E and balance sheet		445		

## Appendix 6 – Value for money conclusion

- 2 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 3 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are shown in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score Dec 2007	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	N/A	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	2 / 1*	Not adequate

6	The body has put in place arrangements to manage its significant business risks.	4.1	3	To be confirmed
7	The body has put in place arrangements to manage and improve value for money.	5.2	3	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	3	To be confirmed
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	2	To be confirmed
10	The body has put in place arrangements for managing performance against budgets.	2.2	3	To be confirmed
11	The body has put in place arrangements for the management of its asset base.	2.3	3	To be confirmed
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	2	To be confirmed

1\* It is likely that the full 2006/07 assessment will result in a '1' score

**REPORT OF THE AUDIT MANAGER**  
**TO THE AUDIT & GOVERNANCE COMMITTEE**  
**25<sup>TH</sup> SEPTEMBER 2007**

**Internal Audit Management Report Quarter 2**

**1.0 Introduction and Report Summary**

1.1 The purpose of this report is:

- to summarise the progress of Internal Audit against the 2007/2008 audit plan;
- to set out the revised Internal Audit allocation and remaining audit plan for 2007/2008, and to explain the process used for re-calculating the resources available; and
- to summarise the priorities and planned audit work for 2007/2008 Quarter 3.

1.2 The Contact Officer for this report is Adrianna Penn, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

**2.0 Recommendations**

*(a) that Members note the content of the report; and*

*(b) that Members approve the revised Internal Audit allocation for 2007/2008.*

**3.0 Relationship with the Council's Vision, Strategies and Policies**

(a) Vision strand E.

(b) No specific strategy; although the Audit Plan will underpin all Strategies indirectly.

(c) Anti Fraud & Corruption Policy; and all Policies indirectly.

**4.0 Background**

4.1 The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Internal Audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.

4.2 The CIPFA Code also states that the Audit Committee should approve the annual Internal Audit Plan and monitor progress against the plan. The 2007/2008 audit plan was agreed by the Audit and Governance Committee at their meeting on the 27<sup>th</sup> June 2007.

- 4.3 The new Audit Manager has been in post from the 30<sup>th</sup> July 2007, and the Auditor vacancy has been filled from the 3<sup>rd</sup> September 2007. Following the successful appointments, the Internal Audit Section is now at full strength.

## **5.0 Progress against the 2007/2008 Audit Plan**

- 5.1 From the 1<sup>st</sup> April 2007, Internal Audit has been delivered through a shared service between South Oxfordshire District Council and the Vale of White Horse District Council.
- 5.2 The approved audit plan for 2007/2008 reflected the proposed audit coverage for both Councils. However, the Committee was notified that due to the necessity to harmonise and rationalise the working practices within Internal Audit and due to the need to estimate start dates for the two vacant posts, it was likely that the audit plan would be subject to change.
- 5.3 Progress against the approved audit plan has been calculated for the period from the 1<sup>st</sup> April 2007 (start of financial year) to the 3<sup>rd</sup> August 2007 (end of first week new Audit Manager in post), and is shown in Appendix 1 attached.
- 5.4 The Work Allocation table indicates that 49% of work completed in the period was chargeable (i.e. the work has an identifiable 'client'). 56% of that chargeable time can be attributed to planned audits, which is the core Internal Audit service. However, significant resources (21%) were also allocated to undertaking unplanned investigations and providing adhoc audit advice (9.5%).
- 5.5 The Planned Audit Work table reports on the status of completed or ongoing planned audits during the period. As at the 3<sup>rd</sup> August 2007:
- 3 planned audits had been completed
  - 4 reviews were pending management responses
  - 1 review was pending issue of the draft report
  - 3 planned audits were currently in progress.

The Internal Audit Activity Report provides more in depth information on Internal Audit's findings from planned audit work.

- 5.6 During the period, 28% of work completed was non-chargeable and 23% was lost days. Non-chargeable resources have mainly been allocated to the harmonisation of the shared service, but a significant amount of time has been allocated to administration and corporate issues. This is time allocated in addition to general administration for assisting with the elections, ISO Accreditation involvement and work being undertaken by a member of the team who is a contact for the Bullying at Work initiative.
- 5.7 Overall, the percentage of chargeable work completed to date is below the estimated target of 63%. However, the Internal Audit Section has had to manage a significant amount of disruption and unplanned work, whilst at the same time being under resourced and without the direction of an Audit Manager. Therefore, to achieve a 49% proportion of chargeable work to this point is a good performance.

## **6.0 Revised Audit Allocation and Remaining Audit Plan 2007/2008**

- 6.1 From the 6<sup>th</sup> August 2007, the resource allocation available within the Internal Audit Section has been re-calculated to the year end and is attached as Appendix 2. This has been done to reflect the known start dates of the Audit Manager and the fourth Auditor position, and to expand the descriptions available to adequately reflect all the work undertaken by the Section.
- 6.2 The revised allocation reflects a realistic calculation of the amount of time that must be spent in this financial year on the harmonisation of the shared service and on Audit Management activities which was not previously included in the original audit allocation. However, it will be noted that the target for the proportion of chargeable days remains at 63%. An analysis of the descriptions has been provided to explain and justify the revised allocation.
- 6.3 It is envisaged that once the Internal Audit service provision has been streamlined and the learning curve has been completed, an improved service with greater efficiencies will be achieved. This will mean that the proportion of chargeable days for the 2008/2009 Audit Plan can be expected to significantly increase.
- 6.4 On the basis of the revised audit allocation, the total available days for planned audit work as at the 6<sup>th</sup> August 2007 was 363.5 days. However, the Remaining Audit Work table attached as Appendix 3, shows that the total audit days required based on the approved Internal Audit plan and current work outstanding is 476 days. This leaves a potential deficit at the year end of 112.5 days, based on the presumption that the time allocation for other aspects of audit work is fully utilised and/or no further days are allocated to unplanned work. This potential level of slippage can be explained by the time that has and continues to be needed to harmonise the shared service, but also by areas of work which Internal Audit undertakes not being reflected in the original allocation.
- 6.5 Progress against the audit allocation figures and the audit plan will continue to be monitored closely by the Audit Manager and reported to the Committee. The time management templates being used by the Section have been reviewed, updated and harmonised across the two sites to reflect the descriptions outlined within the audit allocation table. These templates will allow the Audit Manager to closely monitor progress against the revised audit allocation figures and plan.
- 6.6 If the potential slippage becomes a significant likelihood, the Audit Manager will take action at an early stage to consider the possible options that can be taken to ensure that sufficient assurance on the Council's control environment can be given to the Committee. A possible option could be to buy-in additional external resources with the savings that have been made through the staff vacancies, to assist in the completion of the audit plan. Alternatively, lower priority audits identified through the risk-based audit needs assessment could be rolled-over into next year's audit plan, which would not adversely impact on the level of assurance required. This has already been taken into consideration, in planning the work for the remainder of the financial year.

## **7.0 Priorities for 2007/2008 Quarter 3 (October 2007 – December 2007)**

- 7.1 The main priority for the remainder of Quarter 2 and Quarter 3 is to complete the harmonisation of the shared service, which will include:

- the revision and adoption of shared audit working templates;
- a revision of all of the audit procedures and the introduction of a shared Audit Manual; and
- the rationalisation and merging of the electronic and paper filing systems.

7.2 This work is necessary to ensure that the Internal Audit Section has the necessary structure in place to deliver its service. Aiming to complete the harmonisation process as soon as possible will reduce the current disruption within the Section, limit the possibility of any further impact on the audit plan and ensure that service provision is consistent across the two sites.

7.3 A further priority for the Section is to focus on the planned audit work and commence the scheduled joint audits. Individual quarter plans have been established for each member of the team, outlining and mapping the planned audits to the end of the year. It is anticipated that these quarter plans will assist Internal Audit in time management and maximise the level of chargeable work that can be completed during this period of adaptation.

7.4 Planned audit work which is currently ongoing in Quarter 2 and has been scheduled for Quarter 3 is as follows:

#### Quarter 2

<b>Joint Audits</b>	<b>SODC Audits</b>	<b>VWHDC Audits</b>
Council Tax ICT	Bank Reconciliation Building Control Planning Control	Environmental Protection Homelessness & Temporary Accom. Rent Accounting

#### Quarter 3

<b>Joint Audits</b>	<b>SODC Audits</b>	<b>VWHDC Audits</b>
Creditor Payments Housing Development Payroll Pro-Active Anti-Fraud Sundry Debtors Treasury Management	Budgetary Control Business Continuity Planning Dog Control Electoral Registration Waste Management	Benefit Counter Fraud Discretionary Grants ISO Audit Main Accounting Oxford Waste Partnership

7.5 Time has been built into the individual quarter plans to allow for slippage and other audit work to be undertaken. The planned resources from the external contractors (Sandwith) have been confirmed, and it is agreed that they will commence assisting with planned audit work in Quarter 3 through to Quarter 4.

ADRIANNA PENN  
AUDIT MANAGER

**Work Allocation for Internal Audit Section from 1<sup>st</sup> April 2007 – 3<sup>rd</sup> August 2007**

**APPENDIX 1**

Description	Days	Audit Manager	Senior Auditor	Auditor 1	Auditor 2	Auditor 3
<b>Total Days Available for Internal Audit Team</b> 17x5x4 (Senior Auditor + Auditor x3) 1x5x5 (Audit Manager + Senior Auditor + Auditor x3)	365					
<b>Lost Days</b>						
Annual Leave		0	12	3	10.5	17
Bank Holiday		0	4	4	4	4
Other Leave		0	0	0	12	6.5
Sick Leave		0	1	4	2.5	0
<b>Total Lost Days for Internal Audit Team</b>	<b>84.5</b>	<b>0</b>	<b>17</b>	<b>11</b>	<b>29</b>	<b>27.5</b>
<b>Non-Chargeable Days</b>						
Training and Development		0	1	1.5	1	1.25
Induction and Development of New Staff Member		2	0	0	0	0
Admin/Corporate Issues		2	11.75	15.5	5.5	9.5
Committee Meetings - Preparation and Attendance		0	2.75	0	1.5	1
Team Meetings		0	0	0	0	0
Harmonisation of Shared Service		0	25.5	4.5	11	4.25
<b>Total Non-Chargeable Days for Internal Audit Team</b>	<b>101.5</b>	<b>4</b>	<b>41</b>	<b>21.5</b>	<b>19</b>	<b>16</b>
<b>Chargeable Days</b>						
Audit Management		1	2.5	0	0	0
Adhoc Audit Advice		0	2.25	7.75	0	7
Tenders		0	0.25	1.25	0.25	0
Consultancy/System Development		0	1	0	0.5	0
Contingency Investigations		0	26	0	11	0
Follow Up Work 2006/2007		0	0	3.5	10	3.5
Audit Plan 2007/2008		0	0	44	20.25	36
Follow Up Work 2007/2008		0	0	1	0	0
<b>Total Chargeable days for Internal Audit Team</b>	<b>179</b>	<b>1</b>	<b>32</b>	<b>57.5</b>	<b>42</b>	<b>46.5</b>
<b>Total Per Team Member</b>						
<b>Total Lost + Non-Chargeable + Chargeable Days</b>	<b>365</b>	<b>5</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>



**From the 6<sup>th</sup> August 2007 (Q2, Week 6) to the year end**

<b>DESCRIPTION</b> (Analysis of Description Overleaf)	<b>ALLOCATION FOR 6<sup>th</sup> Aug 2007 TO 31<sup>st</sup> Mar 2007</b>	<b>INITIAL ALLOCATION FOR WHOLE YEAR *</b>
<b>Total Days Available for Internal Audit Team</b>	<b>1000</b>	<b>1300</b>
(34x5x5 – Audit Manager, Senior Auditor and Auditor x3)	850	
(30x5x1 – Filled Auditor post from 3 <sup>rd</sup> September 2007)	150	
<b>Lost Days</b>		
Annual Leave	119.5	165
Bank Holiday/Christmas Closure at SODC	27	45
Other Leave (Study/Elections)	12	15
Sick Leave (3x6)	18	25
<b>Total Lost Days for Internal Audit Team</b>	<b>176.5</b>	<b>250</b>
<b>Non-Chargeable Days</b>		
Training and Development (5x6)	30	65
Induction and Development of New Staff Member (5x2)	10	-
Admin/Corporate Issues (10x6)	60	135
Committee Meetings - Preparation and Attendance	18	-
Team Meetings (0.5x8x6)	24	-
Harmonisation of Shared Service (AM/SM 10 + Team 46)	56	25
<b>Total Non-Chargeable Days for Internal Audit Team</b>	<b>198</b>	<b>225</b>
<b>Chargeable Days</b>		
Audit Management (AM 80 + SA 10)	90	-
Adhoc Audit Advice (10x6)	60	125
Tenders (2x5)	10	25
Consultancy/System Development (20x2)	40	-
Contingency (Investigations) (20x6)	120	175
Follow Up Work 2006/2007	4	-
Audit Plan 2007/2008	293.5	500
Follow Up Work 2007/2008	8	-
<b>Total Chargeable Days for Internal Audit Team</b>	<b>625.5</b>	<b>825</b>
<b>Total Lost + Non-Chargeable and Chargeable Days</b>	<b>1000</b>	<b>1300</b>
<b>Proportion of Chargeable Days</b>	<b>63%</b>	<b>63%</b>

\* Based on 5 staff members as 1x Vacant Auditor

**DAYS AVAILABLE FOR AUDIT PLAN FROM 6<sup>th</sup> August 2007**

Audit Team	293.5
Contract	70

**TOTAL                      363.5**

## **Analysis of Description**

### **Training and Development**

- In-house corporate training (IT, new systems, HR training programme)
- External role related training (management, fraud, audit)

### **Administration and Corporate Issues**

- Appraisals
- Progress and 1-2-1 meetings
- Filing
- Timekeeping (timesheets, work allocation, individual work plans)
- Staff briefings
- Corporate roles (Contact for Bullying at Work/ISO Accreditation)
- Elections
- E-mails/Correspondence

### **Harmonisation of Shared Service**

- Revision of audit working templates
- Rationalisation and merging of electronic and paper filing systems
- Adjustment and mentoring of new audit approach

### **Audit Management**

- Revision of Audit Procedures
- Development of Audit Manual
- Quality assurance
- Liaising with External Audit
- Raising the profile of Internal Audit
- Attendance at corporate internal and external networking meetings
- Internal Audit presence on the website and intranet at both sites
- Preparation and Monitoring of Audit Plan
- Budgetary control

### **Adhoc Audit Advice**

- Informal responsive advice to queries from staff members

### **Consultancy/System Development**

- Formal project work based on agreed Terms of Reference (i.e. Project member for implementation of new systems, delivery of training to members and staff).

### **Contingency/Investigations**

- Responsive work issued and agreed by the S151 Officer, Audit and Governance Committees, Members or Senior Management Team.

# **Remaining Audit Work 2007/2008: From 6<sup>th</sup> August 2007**

# **APPENDIX 3**

Joint Audits				SODC Audits			VWHDC Audits		
System Name	SODC Risk Score	2007/08 Days	VWHDC Risk Score	2007/08 Days	System Name	SODC Risk Score	2007/08 Days	System Name	VWHDC Risk Score
Proactive Anti-Fraud	-	10	115	10	Bank Reconciliation	98	10	Main Accounting	109
Housing & Council Tax Benefits	105	10	101	10	Budgetary Control	83	10	ISO Audits	78
Sundry Debtors	99	10	99	10	Planning Control	75	10	Land & Property	75
Council Tax	102	10	98	10	Housing Development	71	10	Discretionary Grants	71
NNDR	99	10	96	10	Building Control (inclu. Dangerous Structures)	66	10	Benefit Counter Fraud	70
Treasury Management	110	10	92	10	Waste Management	60	10	Environmental Protection	68
Creditors Payments	90	10	91	10	Electoral Registration	58	10	Affordable Housing	68
Capital Accounting	69	10	87	10	Elections	58	10	White Horse LC Contract	67
Payroll (inclu. PIR)	98	10	87	10	Bank Contract and Arrangements	57	6	Homelessness & Temporary Accommodation	64
ICT	74	8	86	8	Business Continuity Planning	54	10	Rent Accounting	59
Data Protection	62	6	83	6	Cleansing Service	52	10	IA role for external body: Oxfordshire Waste Partnership	-
Housing Allocations	72	6	80	6	Dog Control	49	6		
Concessionary Fares	65	6	60	6					
Finance PIR	107	6	104	6					
Revenues - PIR	-	6	104	6					
<b>Total Days Remaining</b>		<b>128</b>		<b>128</b>			<b>112</b>		<b>81</b>

NB – Audit days have been rounded up or down to reflect whole days

Total Audit Days Required 476  
 Total Available Days Based on Revised Allocation 363.5

Potential Deficit (112.5 Days)

VALE OF WHITE HORSE DISTRICT COUNCIL

Report No 62/07

Wards Affected - None

**REPORT OF THE AUDIT MANAGER**  
**TO THE AUDIT & GOVERNANCE COMMITTEE**  
**25<sup>TH</sup> SEPTEMBER 2007**

**Internal Audit Activity Report (2007/08)**

**1.0 Introduction and Report Summary**

- 1.1 The purpose of this report is to summarise the outcomes of recent internal audit activity for the Committee to consider. The Committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.
- 1.2 The Contact Officer for this report is Adrianna Penn, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

**2.0 Recommendations**

*that Members note the content of the report.*

**3.0 Relationship with the Council's Vision, Strategies and Policies**

- (a) Vision strands A and C.
- (b) No specific strategy.
- (c) Anti Fraud and Corruption Policy.

**4.0 Background**

- 4.1 Internal Audit's primary role is to provide an independent and objective opinion on the effectiveness of the control environment. This ranges from checking that effective arrangements for good governance are in place, through to testing that internal controls within systems are operating as they should.
- 4.2 Reports are produced at the end of the audit fieldwork, the aim being to:
- set out the scope of the audit work;
  - communicate the results of the audit assignment;
  - provide the internal auditor's overall opinion on the area under review; and
  - secure acceptance on audit recommendations and a commitment to action where improvements are suggested.

- 4.3 The work undertaken and reports produced focus on a review of the internal controls and integrity of the system rather than on performance or outputs from that system. Not all aspects of a service or function will be examined in each audit, but over successive audits there will be a comprehensive review of the systems involved. The scope of each audit is agreed in advance with the manager of the service.
- 4.4 Every recommendation made for improvement is allocated a risk rating (High, Medium or Low), this leading to an opinion statement for the system under review. The context in which an issue arises will dictate the risk category and Internal Audit will consider both the likelihood of a risk being triggered and the consequences should it occur in arriving at an overall risk level.
- 4.5 Following the issue of a final report, Managers, Deputy Directors, client officers and contractors are expected to implement all agreed recommendations by the given implementation dates contained in the report. They will be charged by the Head of Finance (South Oxfordshire District Council and the Vale of White Horse District Council) to sign off the final report, which will indicate agreement to the action plan and the control weaknesses/risks identified.

## **5.0 2007/08 Audit Reports**

- 5.1 Appendix 1 of this report sets out the key points and findings relating to the following completed audits:

<b>Audit</b>	<b>Audit Opinion</b>
Refuse Collection	Satisfactory
Recycling	Satisfactory

- 5.2 Members of the Committee are asked to seek assurance from the Service Manager that the agreed action will be or has been undertaken where necessary.
- 5.3 A copy of each summary report has been sent to the appropriate Service Manager and the Executive Portfolio Holder for Finance.
- 5.4 A 6 month follow up is undertaken on all audits undertaken to establish the implementation status of agreed recommendations.

ADRIANNA PENN  
AUDIT MANAGER

STEVE BISHOP  
STRATEGIC DIRECTOR AND CHIEF FINANCE OFFICER

Background Papers: None

**VALE OF WHITE HORSE DISTRICT COUNCIL INTERNAL AUDIT**

**Summary Report**

**REFUSE COLLECTION AUDIT 2007/08**

The audit fieldwork was undertaken in April and May 2007 and the final report was issued to the Deputy Director – Contracts and Procurement in July 2007.

The review was undertaken as part of the 2007/08 Internal Audit Plan.

The aims of the review were to ensure that the Refuse Collection and Street Cleansing service was being delivered in accordance with the terms and conditions of the agreed contract with the Vale of White Horse District Council.

The control objectives identified were:

- that the Council's waste management strategy and the relevant service plans reflect the Government's national initiatives and include appropriate objectives and targets;
- that the contract terms have been correctly followed and alterations to procedures are presented with a complete management trail;
- that effective contract monitoring is in place and performance is being monitored and reported to senior management and Members, which includes an annual review presentation;
- verification of the accuracy of a sample of weighbridge and weight/volume tickets to Council records and reconciliation of contractor's invoices;
- assess whether the Council is effective in its objective to reduced waste produced and sent to landfill and whether the Council has been in receipt of any financial incentive to minimise waste sent to landfill;
- that the methods and outcomes of consultation with householders and businesses regarding both domestic refuse and street cleansing are recorded and acted upon;
- that the contractors adopt sound health and safety policies and that the contractor has in place procedures to monitor the behaviour of the employees/operatives; and
- review the Council's website in respect of on line access to the waste service and information including service standards and targets, and confirm that the information is accurate and up to date.

Since the last audit review in March 2005, Cleanaway, the previous waste contractor was taken over in January 2007 by Veolia Environmental Services. The Council has experienced the minimum amount of disruption to the service as the Operational staff have all remained the same.

### **Key Points, Findings and Recommendations**

- Since the last audit took place in March 2005, a number of improvements to the Waste Management service area have taken place. This includes the Council's renewed commitment to the Oxfordshire Waste Partnership (OWP) to deliver a cohesive approach to waste minimisation, and the Council's endorsement of the Oxfordshire Waste Management Strategy to provide a framework for the management of waste in Oxfordshire until 2010 and beyond. Both initiatives provide the Council with clear directives and targets against which each Council's contribution and performance will be assessed.
- Internal Audit noted that contract procedures are being followed, but Internal Audit would advocate that the A34 and A420 road cleansing service is still within the early stages of service delivery. Internal Audit has recommended that a timetable for random checks should be established to ensure continuous compliance to the terms and conditions of the contract.  
**(Recommendation made Report Ref. 5.2.8)**
- Internal Audit has serious concerns about the production, integrity and accuracy of the statistical data generated by the Customer Relationship Management (CRM) system. The service area is unable to extract meaningful reports when required, and Internal Audit has recommended a review of the CRM system and how the service area is using the system to address the inadequacy of the reporting facility. This has resulted in the system failing to deliver data/statistics, which should assist with effective monitoring arrangements. Staff vacancies in the Waste Management service area have also impacted on this situation and matters arising from the reports are not being followed up as necessary.  
**(Recommendation made Report Ref. 5.3.5)**
- Internal Audit noted a discrepancy with regards to the calculation of the Council's Best Value Performance Indicator, and this indicates that the calculation is not being checked by a second named officer as required. In Internal Audit's opinion this is disappointing as errors of this nature have been identified in previous Internal Audit reports.  
**(Recommendation made Report Ref. 5.4.5)**
- The review identified that the Waste Services Manager needs to undertake Agresso training as soon as possible to enable him to commence budget monitoring of the waste services budget.  
**(Recommendations made Report Ref. 5.4.11 and 5.7.9)**
- Internal Audit supports the imminent corporate review of the website and the publication of service standards for distribution through the Local Service Points, furthermore Internal Audit would advocate greater use is made of the website to

build awareness and increase participation in recycling schemes and deliver information regarding the scope of the Council waste services.  
**(Recommendations made Report Ref. 5.8.5 and 5.8.7 and 5.8.8)**

### **Management Response**

Eight (8) recommendations were made and eight (8) were agreed. Various implementation dates were provided.

### **Audit Review Timetable**

A follow up review has been programmed for January 2008 to ensure the agreed recommendations have been implemented.

Annex A, the Action Plan for Refuse Collection detailing the recommendations made and the management response follows.

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
5.2	CONTRACT PROCEDURES				
5.2.8	It is recommended that random checks of cleanliness for A34 and A420 against the specified work programme should be undertaken by members of the waste team to ensure compliance to the terms of the fast road cleansing service contract.	Low	<p>These are currently carried out during routine Technical Officer duties, but the findings are only documented if the standards are unacceptable.</p> <p>It is proposed that as part of the Joint Improvement Plan, a survey is carried out by Waste Team, Veolia and representatives of the Highways Agency to review accessibility and Health &amp; Safety issues. This was intended to take place in July, but it has been agreed to delay until August by which time Veolia's new Street Cleaning Supervisor will be in post.</p>	Waste Services Manager	31 Aug 07
5.3.	CONTRACT MONITORING				
5.3.5	It is recommended that the reporting facility contained within the CRM system should be reviewed by the Waste Management Team and the Organisational Change Manager, to address the shortfall in reporting as identified by the Waste Management	Medium	This will be discussed with the OSM in conjunction with other CRM issues arising from these reports, and a way forward agreed.	Waste Services Manager	30 Sept 07

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	Team and to enable reports to be produced that deliver improvements in the monitoring arrangements.				
5.4	CONTRACT PAYMENTS				
5.4.5	It is recommended that the statistics supplied by Oxfordshire County Council regarding the amount of waste sent to landfill and any statistics used for the calculation of the BVPI should be checked for accuracy by a second named officer to ensure discrepancies such as those identified during the course of this audit are corrected and the Council can be confident that the published BVPI results are accurate.	Medium	This will be done on a quarterly basis.	Waste Services Manager/Waste Services Co-ordinator	July 07
5.4.11	It is recommended that the Waste Services Manager should undertake Agresso training to enable him to commence budget monitoring of the waste services budget as soon as possible.	Medium	Agreed. As soon as reporting facility is available, training will be undertaken.	Waste Services Manager/CAPITA	31 Jan 08
5.7	HEALTH AND SAFETY				
5.7.9	It is recommended that a copy of the report arising from the health and safety audit conducted by the Waste Services Manager and the Council's Health and Safety Officer should be forwarded to Internal Audit for retention and	Low	Agreed. Audit scheduled to start in August	Waste Services Manager/Health and Safety Adviser (Dick Powell)	31 Aug 07

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	consideration as part of the next internal audit review of refuse collection and street cleansing.				
5.8	WEBSITE				
5.8.5	It is recommended that the Waste Services Manager should consider the option of introducing a "tick box" for further information which invites residents to register their email address onto the website. This could be used to deliver publicity and advertising material regarding waste services at minimum cost.	Low	Agreed. Consideration needs to be given to how the address list should be managed. Needs involvement of Comms Team.	Waste Services Co-ordinator /Communications Team	31 Oct 07
5.8.7	It is recommended that service standards for waste should be made available in a leaflet format and distributed through the Council's local service points, and also distributed with any relevant correspondence generated by the waste services team.	Medium	Agreed, subject to corporate guidance in respect if publication.	Deputy Director & Contract Procurement/ Deputy Director (Organisational Development)	30 Sept 07
5.8.8	It is recommended that service standards are published on the Council website as soon as possible.	Medium	Agreed, subject to corporate guidance in respect if publication	Deputy Director & Contract Procurement/ Deputy Director (Organisational Development)	30 Sept 07

# **VALE OF WHITE HORSE DISTRICT COUNCIL INTERNAL AUDIT**

## **Summary Report**

### **RECYCLING AUDIT 2007/08**

The audit fieldwork was undertaken in April and May 2007 and the final report was issued to the Deputy Director – Contract and Procurement in July 2007.

The review was undertaken as part of the 2007/08 Internal Audit Plan.

The aims of the review were to ensure that controls relevant to the Waste Recycling Contract and monitoring arrangements were adequate, operating effectively and efficiently and that working practices were in accordance with approved procedures. The review period is 2006/07. The review examined the following control objectives:

- recommendations made in the 2005/2006 audit have been implemented and where actions are outstanding consider the continuing relevance of the recommendations;
- recycling operations are being controlled in accordance with the contractual terms;
- the value of recycled materials recorded by the Council is valid, accurate and up to date and supported by a complete management trail;
- the Council has signed up to a County Waste Management Strategy and that the Council's Waste Management Strategy reflects targets imposed by the Oxfordshire Waste Partnership;
- a procedure is in place for controlling the renewals and non renewals of brown bins;
- management information is used to monitor the green box scheme and brown bins scheme; and
- review the Council's website in respect of access to information and confirm that the information is accurate and up to date.

### **Key Points, Findings and Recommendations**

- Since the last audit took place in March 2006, Cleanaway was taken over by a company called Veolia Environmental Services in January 2007. The Operations staff employed on the Vale of White Horse District Council (VOWHDC) contract have remained unchanged.
- The waste contractor has continued to deliver services to a satisfactory standard, whilst incorporating changes imposed by the expansion of the brown bins scheme. Both the green box and brown bins recycling schemes have continued to flourish with a steady increase of recycling materials being recorded over the last two years.
- Internal Audit has serious concerns about the production, integrity and accuracy of the data extracted from the Customer Relationship Management system. Internal Audit recommends that a comprehensive review of the system is undertaken, including a review of processes that feed into the system, an analysis of the reports

required to assist with the monitoring arrangements and the control of income. Internal Audit would anticipate that the review will be conducted in conjunction with the Organisational Change service area.

**(Recommendations made Report Ref. 5.2.9 and 5.2.10)**

- Internal Audit noted that the waste team have not been conducting inspections of the weighbridge data as agreed in the 2005/06 audit review of Recycling. Whilst Internal Audit acknowledges that significant improvements have been made by Veolia in the retention of the weighbridge documentation, the inspection arrangements should be reinstated to validate the weights as this is required to support the Council's application for recycling credits. Internal Audit identified a discrepancy regarding weights for composted waste which impacts on the recycling credit claim for January 2007; this should be investigated and corrected if appropriate

**(Recommendations made Report Ref. 5.3.9 and 5.3.14)**

- Linked to the inadequacy of the CRM reporting facility, Internal Audit identified shortfalls in the brown bin procedure. Due to the continuing rapid expansion of the Brown Bin scheme, Internal Audit has made a number of recommendations to improve the control environment regarding procedures for sending reminders, retrieval of bins and the follow up and recovery procedure for unpaid renewal fees. Internal Audit would suggest that the waste team liaise with Sundry Debtors in order to investigate the direct debit cancellations to ascertain the appropriate course of action as soon as possible.

**(Recommendations made Report Ref. 5.5.9 and 5.5.12 and 5.5.14 and 5.5.17)**

- Internal Audit noted the volume of work attached to the administration of the waste management function, and staff confusion regarding the responsibility for the generation of waste spreadsheet and reports which prompt the appropriate reminder notices. Staff vacancies within the service area and difficulties with the CRM system has contributed to the range of tasks not being undertaken as expected, and with this in mind Internal Audit has made a recommendation that staff resources should be reviewed to ensure adequate attention is given to the day to day operation as well as clearing the backlog of potential recovery cases.

**(Recommendations made Report Ref. 5.5.20 and 5.5.23)**

- The Council tax leaflet did not contain any reference to assisted collections. The Council under its terms of reference with regards to ensuring access to services for all elements of the community should ensure that services are well published and available to all sections of the community. Whilst the information regarding assisted collections could be found on the Council's website, Internal Audit considers that information regarding assisted collection should also appear in the Council Tax leaflet dedicated to waste.

**(Recommendation made Report Ref. and 5.6.12)**

- Internal Audit supports the imminent corporate review of the Council's website and publication of waste management service standards, but would advocate that the Communication Team and the Waste Management team liaise on a regular basis to ensure the published information is comprehensive, consistent and accurate

**(Recommendation made Report Ref. 5.7.4)**

## **Management Response**

Twelve (12) recommendations were made and twelve (12) were agreed. Various implementation dates were provided.

## **Audit Review Timetable**

A follow up review has been programmed for January 2008 to ensure the accepted recommendations have been implemented.

Annex B, the Action Plan for Recycling detailing the recommendations made and the management response follows.

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
5.2	RECYCLING OPERATION				
5.2.9	It is recommended that the waste team should review of all the processes that feed into the CRM system to ensure the CRM system is being fully utilised by officers for input, monitoring and where necessary report purposes. This review should take place in conjunction with members of the Organisational Change service area and the Debtors service area to formulate a regular timetable for the production of reports with a view to improving the management arrangements.	Medium	A preliminary report specification, primarily to address the lack of information relating to brown bins, has been prepared. It has been forwarded to the Organisational Change Manager as a draft. Further discussions concerning feasibility to take place.  Outcome to be determined by the action date.	Waste Services Manager	31 Aug 07
5.2.10	It is recommended that the current reports arising from the CRM system are reviewed to ensure they are still relevant in monitoring the control environment relating to the CRM system. Furthermore the waste team should develop the reporting facility through the CRM system to assist with the control and reconciliation of income relating to the brown bin scheme.	Medium	See 5.2.9 response above.  Outcome to be determined by the action date.	Waste Services Manager	31 Aug 07
5.3	RECYCLING CREDITS				

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
5.3.9	It is recommended that the inspection visits to validate the weighbridge data should be reinstated as soon as possible. Thereafter consideration should be given annually as to whether the inspection arrangements are still appropriate.	Medium	These will be reinstated with immediate effect. Upon the appointment of the Senior Technical Officer, it is likely that this work will be undertaken by one of the Technical Officers in future.	Waste Services Manager	16 July 07
5.3.14	It is recommended that the waste team should investigate the anomaly identified by Internal Audit regarding the weight of composted waste declared for recycling credit purposes for January 2007 and make the necessary adjustments if appropriate. Furthermore Internal Audit recommends that a degree of monitoring is introduced to prevent the reoccurrence of this error.	Medium	The Waste Strategy Co-ordinator will investigate and if the anomaly is significant, adjustments will be made. Future claims will be closely scrutinised before forwarding to OCC	Waste Services Manager	01 Aug 07
5.5	BROWN BIN PROCEDURE				
5.5.9	Internal Audit recommends that the waste team should agree a procedure in the event of residents not paying for the brown bin service and would propose that consideration is given to the following: a. A second reminder should be issued promptly stating the bin will be collected if the fee remains unpaid after a further 14 days. b. Agree a procedure with Veolia for the retrieval of the brown bins for which the	Medium	Agreed. It is considered that this is a "back-office" Sundry Debtors/LSP function. This matter will be referred to Client Manager/Capita to facilitate a revised process for the recovery of debt and management information.	Waste Services Manager	30/9/07

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	<p>Waste team should maintain records to enable the situation to be tracked should they need to intervene.</p> <p>c. Agree a process if Veolia is unable to retrieve the bin and consider the use of DSO operatives with a technical officer attending to the retrieval.</p> <p>d. Consideration should be given as to whether invoices should be raised for a proportion of the year if the Council can establish whether residents have been using the brown bin without paying for the facility and whether this option is cost effective.</p> <p>e. The waste team should agree with Sundry Debtors the recovery process for customers who persist in not paying.</p>				
5.5.12	It is recommended that the waste team should in conjunction with Organisational Development resolve the issues relevant to extracting information regarding unpaid fees for monitoring purposes. Thereafter the Waste team should monitor unpaid fees on a monthly basis to decide on the appropriate action to take.	Medium	<p>Agreed</p> <p>See 5.5.9 above</p> <p>This matter will be referred to Client Manager/Capita/Organisational Development to facilitate a revised process for the recovery of debt and management information</p>	Waste Services Manager	30/9/07
5.5.14	It is recommended that the brown bin leaflet should be reviewed to clarify the procedures to follow in the event that a	Medium	<p>Agreed.</p> <p>Sufficient leaflets have already been printed to meet current</p>	Waste Services Co-ordinator & Waste Services	30/11/07

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	brown bin is no longer required and furthermore could state the Council's policy with regards to the recovery of income for services provided.		capacity, although a revised calendar to all members of the scheme will be issue in Nov. This will present an opportunity to address this recommendation.	Manager	
5.5.17	It is recommended that the waste team should request information regarding the unpaid direct debit payments in a format that denotes name, address and brown bin reference which should enable the waste team to ascertain the location of the brown bin so recovery can commence as soon as possible.	Medium	Agreed, This matter will be referred to Client Manager/Capita to facilitate a revised process for the recovery of debt and management information.	Waste Services Manager	30/9/07
5.5.20	It is recommended that members of the waste team should agree who is responsible for the generation of the spreadsheet downloads and specify a timetable for this to take place on a regular basis.	Low	This requirement should be superseded if the reports detailed in the draft specification are provided as per 5.2.9	Waste Services Manager	31/8/07
5.5.23	It is recommended that the staff resources allocated to waste administration should be reviewed with a view to ensuring that they are adequate and that staff resources are allocated to follow up the issues arising from reminders being sent out.	Medium	A permanent EH TAA has been appointed and she is undertaking some admin work on behalf of the Waste Team. The nature of this work will be documented so that expectations are clearly stated. The Technical Officers have been asked to undertake certain admin duties. It has been identified that some project-based work needs	Waste Services Manager	01 Sep 07

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
			<p>completing (eg update of procedures file). This work should be undertaken by the Waste Team's TAA and further consideration will be given to freeing up more of her time to enable this. One-off peaks of workload such as that generated when the replacement for green sacks is introduced will be tackled by using temporary staff as required.</p> <p>As part of the budget setting process, it was proposed to reduce the grade of the vacant Principal Waste Officer post and using the saving to fund an additional part-time admin resource. However, whilst the Strategic Director approved the downgrading of the post, he did not approve the creation of the part-time admin post.</p>		
5.6	MANAGEMENT INFORMATION				
5.6.12	It is recommended that the Communication Team should liaise with the waste management team to ensure the information contained within the	Low	Agreed	Waste Services Manager	01 Jan 08

REPORT WP REF.	INTERNAL AUDIT RECOMMENDATION	RISK RATING H/M/L	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	Council Tax leaflet regarding assisted collections is comprehensive and accurate and agrees with the information on the website.				
5.7	WEBSITE				
5.7.4	It is recommended that service standards regarding waste services are written and published as soon as possible.	Medium	Agreed, subject to corporate guidance	Deputy Director Contracts & Procurement	30/9/07