

Annual Governance Report

Vale of White Horse District Council

Audit 2008/09

September 2009

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Status of our reports

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

- any director/member or officer in their individual capacity; or
 - any third party.
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Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Chief Executive, Director of Finance, and Head of Finance on 3 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 4 to 7);
- take note of the adjustments to the financial statements which are set out in this report; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

Yours faithfully

Maria Grindley
District Auditor
September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from error	Yes	7
Adequate internal control environment	Yes	7
Use of resources	Results	Page
Use of resources judgements	Yes	9
Arrangements to secure value for money	Yes	9

Audit opinion

- 1 My work on your financial statements is substantially complete, and I anticipate giving an unqualified opinion before the due date of 30 September 2009.

Financial statements

- 2 The accounts adopted by the Audit and Governance Committee on 29 June 2009 were made available for audit supported by detailed working papers. There was only one error in the statements adopted, where income in advance had been taken into account twice.

Use of resources

- 3 My work on your scored use of resources is complete, and whilst I am not able to share the detailed scores with you at this stage, I can confirm that, subject to national moderation, there are no areas where you do not meet expected standards, and I will therefore be able to give an unqualified value for money conclusion by the due date of 30 September 2009.

Key messages

Audit Fees

- 4 As my audit is substantially complete, I can confirm that I do not propose to issue a supplementary fee letter.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

5 I ask the Audit and Governance Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 7);
- take note of the adjustments to the financial statements which are set out in this report ;
- take note of the VFM Conclusion and Use of Resources score (to be confirmed in final report); and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 2).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 6** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 7** There was only one error in the financial statements for which I requested an adjustment. Income received for 2009/10 for council tax and business rates had been adjusted for twice. This meant that income in advance and debtors were both overstated by £892,000 although there was no overall impact on the assets available to the Council. This has been adjusted in the final version of the accounts.

Material weaknesses in internal control

- 8** No material weaknesses in internal control were identified as a result of my audit.

Letter of representation

- 9** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 2 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

10 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Problems with the payments system in 2007/08 resulted in additional work being done to gain assurance over expenditure figures.	On review, we were able to place reliance on the controls within the payments system for our assurance.
Council properties and investments were affected by the economic downturn, leading to risks around the correct valuation for these assets in the financial statements	We reviewed the transactions relating to these valuations, but did not identify any areas of concern. The treatment of Icelandic bank investments was in accordance with guidance issued by CIPFA.
Errors were identified in capital accounting entries within the income and expenditure account for disabled facilities grants in the 2007/08 accounts.	We reviewed the revenue transactions relating to disabled facilities grants and identified no areas of concern.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 11 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 12 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 13 The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 3.

Table 2 Use of resources theme scores

This will be completed for the final report

Use of resources theme	Scored judgement
Managing finances	
Governing the business	
Managing resources	

- 14 I am not able to share detailed scores at this stage as the moderation process is not complete. Subject to the outcomes of this process, I can confirm that there are no areas where the Council did not meet expected standards

Value for money conclusion

- 15 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the

relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 3.

- 16** I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Vale of White Horse District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Vale of White Horse District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls.

Neither am I 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 accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, 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 accounting statements and related notes 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 accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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 regularly to review the adequacy and effectiveness of these arrangements.

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

Appendix 1 – Independent auditor’s report to Members of Vale of White Horse District Council

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/other local government bodies). 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.

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 May 2008 and updated in February 2009, and the supporting guidance, 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 2009.

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

September 2009

Appendix 2 – Draft letter of representation

To:

Maria Grindley,

Unit 5, Isis Business Centre,
Horspath Road, Cowley
Oxford OX4 2RD

Vale of White Horse District Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officers, and Members of Vale of White Horse District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

Compliance with the statutory authorities

- 17** I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Appendix 2 – Draft letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council]

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. We have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.]

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

I confirm that there are no related party transactions with Capita, with whom we have a contract for the provision of financial services.

Post balance sheet events

Since the date of approval of the financial statements by the Audit and Governance Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

If adoption of the financial statements and the representation are on the same day this paragraph is not required.

Signed on behalf of Vale of White Horse District Council

I confirm that the this letter has been discussed and agreed by the Audit and Governance Committee on 17 September 2009

Name

Position

Appendix 3 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Table 3 Managing finances

Theme score	
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for managing finances.	
KLOE 1.1 (financial planning)	
Score	
VFM criterion met	Yes
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 1.1	
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	
VFM criterion met	Yes
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 1.2	

Appendix 3 – Use of resources key findings and conclusions

KLOE 1.3 (financial reporting)	
Score	
VFM criterion met	Yes
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 1.3	

Table 4 Governing the business

Theme score	
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for governing the business	
KLOE 2.1 (commissioning and procurement)	
Score	
VFM criterion met	Yes
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 2.2	

Appendix 3 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 2.2</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 2.3</p>	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 2.4</p>	

Table 5 Managing resources

Theme score	
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for managing resources. We have put forward the shared management structure as an example of good practice.	
KLOE 3.3 (workforce planning)	
Score	
VFM criterion met	Yes
Key findings and conclusions	
Whilst I am unable to share detailed scores with you at this stage, I can confirm that, subject to the outcomes of national moderation, there are no areas where the Council does not meet the requirements for level 2 for KLOE 3.3	

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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Appendix 3 – Use of resources key findings and conclusions