

# Annual Audit Letter

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Vale of White Horse District Council

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Audit 2008/09

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November 2009

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## Status of our reports

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

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

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## Audit Opinion

- 1 My work on your financial statements is complete, and I gave an unqualified opinion on 24 September 2009.

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## Financial Statements

- 2 The accounts adopted by the Audit and Governance Committee on 30 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.

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## Value for money

- 3 My work on your scored use of resources is complete, and I am pleased to confirm that there are no areas where you do not meet expected standards and some where you are performing well. I therefore gave an unqualified value for money conclusion on 24 September 2009.

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## Audit Fees

- 4 There has been no change to my planned audit fees for 2008/09, as follows.

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**Table 1**      **Audit fees**

	£
Financial statements and annual governance statement (inc WGA)	57,375
Value for money	42,146
<b>Total audit fees</b>	<b>99,521</b>
<b>Old Gaol review</b>	<b>7,000</b>

### **Economic downturn**

- 5** The economic downturn and banking crisis has had a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies was immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
  - 6** This impacts on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.
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### **Independence**

- 7** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 8 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.
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## Material weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 10 I considered the qualitative aspects of your financial reporting.
  - 11 There were no issues relating to 2008/09 statements, but there had been a number of errors relating to capital transactions in 2007/08 which were adjusted in 2008/09. I noted the action taken by the Council to investigate the causes of these errors and to prevent them happening in future. The issue did not recur in 2008/09.
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## Economic downturn

- 12 The economic downturn and banking crisis has had a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies was immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
  - 13 This impacts on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.
  - 14 The Council reviewed its policies on investment in the light of the failures in Icelandic banks, in which it had £1m invested. In line with the latest guidance the Council has shown that only 83 per cent of this investment is likely to be recoverable.
  - 15 The other major impact on the Council is around the value of its properties, where the economic downturn has led to a reduction in the value of assets by £13.1m.
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# Value for money and use of resources

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

I also assessed 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

- 16** 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.
- 17** 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.
- 18** The Council's confirmed 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 1.

**Table 2 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	3

## Value for money and use of resources

- 19** There are strong linkages between financial planning and strategic priorities supporting financial health with clear outcomes for local people. Consultation is used to shape priorities and finance follows these priorities. Links between costs and performance inform decisions, and are delivering real efficiencies and better ways of working. Good quality services are provided at comparatively low council tax and user satisfaction with services provided is high. Financial reporting internally and externally is sound, and used to drive learning and further improvements. Accounts production is timely and supported by good quality working papers.
- 20** The Council has a clear vision of the services required to meet local needs in a sustainable way. This is based on an understanding of the needs of the local population and the procurement options available. Strong use of partnership working and outsourcing to deliver services and improve capacity. There is a strong ethical drive within the Council supported by good relationships between officers and Members. Risk management arrangements are mature and embedded and there is a clear trail of risks moving in and out as they are managed and addressed. The internal control environment is strong with Internal Audit being respected and valued. Members and officers take their findings seriously and clear improvements are being delivered to the control environment as a result.
- 21** The Council demonstrates an empowering culture which helps to develop the workforce. It has achieved this by developing clear links between corporate priorities, service plans and appraisals and considering its needs now and in the future. Workforce planning has considered and addressed the challenges of delivering services at district level with limited resources, and has moved innovatively to both outsource work, develop joint teams across two councils, and to develop a shared management team. It values diversity and offers a variety of options for its staff tailored to individuals rather than blanket policies. It is highly rated by the staff who work there, who recognise the importance of a mixed and diverse workforce.
- 22** The joint management team with South Oxfordshire District Council has been recognised as an example of good practice.

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### VFM Conclusion

- 23** I assessed 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 1.
- 24** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Additional work

- 25** The Council disposed of the Old Gaol in 2008/09. Following on from concerns raised by members of the public, the Council invited the Audit Commission to review the project including the letting of the contract and the process followed by the Council to gain assurance that its procedures were sound.
- 26** Our review concluded that the renegotiations undertaken by the Council in regard to the disposal resulted in the best deal that could be achieved in the circumstances and still provided good value for money. We did, however, identify improvements to the approach followed which would make the process more transparent in the future.

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# Closing remarks

- 27** I have discussed and agreed this letter with the Chief Executive and the Strategic Director, Finance. I will present this letter at the Audit and Governance Committee in January 2010 and will provide copies to all Members.
- 28** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Audit plan	March 2008
Opinion plan	January 2009
Review of Old Gaol disposal	April 2009
Annual Governance Report	September 2009
Annual Audit Letter	November 2009

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- 29** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Maria Grindley  
District Auditor  
November 2009

# Appendix 1 – Use of resources key findings and conclusions

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

## Managing finances

<b>Theme score</b>	<b>3</b>
Key findings and conclusions	
The Council has sound arrangements across all aspects of managing finances, and these arrangements are delivering real outcomes for local people. Whilst the arrangements for producing the accounts are strong and worked well, there was one material change required to the statements.	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
Good processes linking objectives, financial resources, and the MTFS both in the short and long term. The MTFS is based on consultation with partners and the public and reflective of strategic priorities. There are extensive consultation processes are using different methods and times and local views help form priorities. Partners and stakeholders are included; and contacts have been established with hard to reach and minority groups. Financial pressures over a number of years have led to good understanding of the linkages between policy, provision of service and costs throughout the council. Budget monitoring is strong, and challenging targets set. The Council is investing now to improve for the future.	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>Good arrangements are in place to link cost and performance. High spend is clearly linked into high priority areas. Stretch targets are set for priority areas and benchmarking is used to assess performance. Alternative methods of costing, together with detailed cost analysis, are used to support decision making. This includes the use of whole life costing. Awareness of performance on key priorities, highlighted by service monitoring, feeds into procurement decisions. Strong arrangements are in place for identifying and delivering efficiencies. Overall the Council is delivering high satisfaction services on a low council tax</p>	
<p><b>KLOE 1.3 (financial reporting)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has sound arrangements for financial monitoring and forecasting. These are supported by fit for purpose financial reports to monitor performance and support strategic decision making. There is good understanding of the role of Members around the accounts, and the accounts were produced in a timely manner and well supported by working papers. The Council is open about reporting publicly and publishes information on its website promptly.</p>	

**Governing the business**

<b>Theme score</b>	<b>2</b>
Key findings and conclusions	
The Council has sound arrangements across all aspects of governing the business, which is delivering some good outcomes for local people. However, in some areas it was harder to see that outcomes had resulted from these arrangements in the year of assessment, although they stand the Council in good stead for the future.	
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council has a clear and accessible explanation of its commissioning and procurement strategy on its website, with effective and user friendly guidance for service users, the wider community and potential suppliers. It makes the most of common ground with other councils and is a member of a forum for joint purchasing. It has sound processes to consider how things are done and to deliver the right service to local users. There is good consideration of alternative methods of delivering services including partnership working. The Council has put considerable effort into understanding the needs of its local community and is using this in service planning and design. Standardisation of good practice in making procurement decisions has led to sound arrangements. The Council has an ongoing programme of reviews using benchmarking, not all of which have yet delivered outcomes. These strong arrangements are delivering some real outcomes, but these were not evidenced across all aspects of commissioning and procurement in the year of assessment.	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 2.2 (data quality and use of information)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council produces relevant and reliable data and works with partners to secure data quality. Lead officers have been nominated for all national indicators, and systems are in place to gather data required and to ensure indicators are calculated correctly. A comprehensive suite of management information goes to the management team, and the Scrutiny Committee receives performance reports quarterly and at the year end to support the decision making process. Data security is robust and the security policy is up to date. Governance, accountability and leadership arrangements are well embedded and data management arrangements are integrated into the service and financial planning processes. These processes are delivering outcomes, but these were not consistent across all aspects of this KLOE in the year of assessment.</p>	
<p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has adopted all required codes of practice and is routinely monitoring adherence to them. The Council constitution sets out principles to be followed clearly and allocates roles to individual officers and Members. The policy to prosecute any benefit fraud and publicise the outcome supports good governance both in principle and practice. In recognition of the importance of a clear vision for ethical governance, a skills assessment has been completed by Members and a targeted training programme to support them in their governance roles has been developed. The Council seeks to improve its openness to members of the public. Constructive working relationships have been fostered between Members and officers, which support a strong internal control environment. An ethical approach is demonstrated by the high profile for internal audit and the strong challenge from Members to officers over any high priority recommendations they make. Formal governance arrangements are in place for all significant partnerships and are monitored for compliance. This clear understanding of partnership responsibilities supports the achievement of objectives and minimises disputes. These all demonstrate sound arrangements, but it was difficult to demonstrate the outcomes flowing from these arrangements in the year of assessment.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 2.4 (risk management and internal control)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
The Council has a strong history of managing risks effectively. All corporate risks are assigned to risk owners and have action plans to reduce risk to an acceptable level. The risk register is linked into strategic objectives and risk levels are considered as part of the ongoing review of objectives by senior management team. The process is well embedded and delivering outcomes consistently. Arrangements to prevent fraud and corruption are well embedded, and the strategy is made available to all staff, and is supported by an anti fraud and corruption response plan. Internal audit is strong and contributes significantly to the internal control environment. The sources of assurance to support the annual governance statement are clear and reported regularly to Members. The statement itself is an honest assessment, and sets out clearly actions to be taken to deliver improvements	

## Appendix 1 – Use of resources key findings and conclusions

### Managing resources

<b>Theme score - Only 3.3 applicable for 2008/09</b>	<b>3</b>
Key findings and conclusions	
The Council's arrangements to develop and support a skilled workforce both now and in the future are sound, and delivering real outcomes. The shared management structure with South Oxfordshire District Council is an example of good practice.	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council demonstrates an empowering culture, and there are numerous examples of it developing its people for promotion. It demonstrates an ambition to learn and improve, and to develop organisational agility. It makes good use of workforce planning to support delivery of major organisational change whilst making efficiencies. Workforce planning is used to adjust staff numbers and skills to meet service needs, whilst also achieving cashable savings. It has done this while maintaining a focus on value for money and creating a flexible workforce. Corporate priorities, service plans and the appraisal system are linked and service plans include HR implications. The People Strategy is aimed at recruiting and retaining a skilled, motivated and flexible workforce. Secondments, career paths, job share, mentoring and coaching opportunities are available and promoted. The Council has been proactive in managing organisational change and there have been significant moves over the last two years. The Council has effective people management policies in place and can demonstrate it is committed to supporting its staff in delivering improvements and in personal and professional development. It has a good approach to equalities and diversity, and consults effectively with staff and local people around equalities issues. It conducts Equality Impact Assessments on all new strategies and policies and incorporates changes into service design and delivery aligned to local priorities. The Council demonstrates good practice in workforce planning in the move to the shared management structure with South Oxfordshire District Council.	

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# 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.

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