

Annual Audit Letter

West Oxfordshire District Council

Audit 2008/09

December 2009



Contents

Key messages	3
Financial statements and annual governance statement	5
Value for money and use of resources	7
Closing remarks	10
Appendix 1 – Use of resources key findings and conclusions	11

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.
-

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.

Audit opinion

- 1 My work on your financial statements is complete, and I gave an unqualified opinion on 30 September 2009.
-

Financial statements

- 2 The accounts adopted by the Audit and General Purposes Committee on 25 June 2009 were made available for audit supported by detailed working papers. The accounts contained two errors relating to fixed assets.
-

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. I therefore gave an unqualified value for money conclusion on 30 September 2009.
-

Economic downturn

- 4 The economic downturn and banking crisis is having 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 for example Housing Services and Benefits where demand is increasing.
 - 5 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 and the Council has developed a challenging efficiency agenda to address the downturn. So far they have delivered against this but the challenge is getting harder as less resource is available.
-

Treasury management

- 6 The Council had invested £9m at the end of March 2009 in Icelandic banks. The latest position is that expected returns are rising and the Council expects to recover 90 per cent of this balance but it will be subject to significant risk pending Court decisions in Iceland on preferred creditor status. They have included actions to cover the shortfall as part of their medium term financial plan.

My work audit fees

- 7 My audit is complete and I can confirm that I do not propose to issue a supplementary fee letter.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£49,585	£49,585	£0
Value for money	£40,415	£40,415	£0
Total audit fees	£90,000	£90,000	£0

Independence

- 8 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.

Significant issues arising from the audit

- 9 The accounts contained two errors for which I requested an audit adjustment relating to differences between the fixed asset register and the accounts. We also identified minor presentational errors. All of these were corrected before I gave my opinion.
 - 10 In addition, Council staff identified an error relating to the FRS17 Pension Disclosure after the draft accounts had been presented to the Audit and General Purposes Committee. Therefore the draft accounts were amended and re-signed by the Chair of the Audit and General Purposes Committee on 30 June 2009.
-

Material weaknesses in internal control

- 11 I did not identify any significant weaknesses in your internal control arrangements.
-

Accounting Practice and financial reporting

- 12 I considered the qualitative aspects of your financial reporting.
 - 13 The quality of the accounts improved this year as the accountancy section has been restructured and a key vacancy filled. Whilst there are further improvements to be made, the audit progressed smoothly this year.
-

Economic downturn

- 14 The economic downturn and banking crisis is having 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 for example Housing Services and Benefits where demand is increasing.
 - 15 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. The Council updated its Medium Term Financial Strategy in September 2009 and developed a challenging efficiency agenda to address the downturn. So far they have delivered against this but the challenge is getting harder as less resource is available.
-

Treasury management

- 16** The Council had invested £9m at the end of March 2009 in Icelandic banks. The latest position is that expected returns are rising and the Council expects to recover 90 per cent of this balance but it will be subject to significant risk pending Court decisions in Iceland on preferred creditor status. They have included actions to cover the shortfall as part of their medium term financial plan

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

- 17** 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.
- 18** 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.
- 19** 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 1.

Table 2 Use of resources theme scores

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

Managing finances

- 20** The Council has a ten year financial strategy built using a range of scenarios. It works to a three year plan which sets out its vision and key priorities and demonstrates how the Council will deliver the Local Strategic Partnership Community Plan. The Council uses effective consultation with stakeholders to help prioritise spending decisions, for example flood prevention. This year has seen an improvement in the accounts preparation compared to last year (when the Council lost three key accounting staff and had to deal with a number of unusual capital accounting treatments).
- 21** The Council understands the costs that it incurs in delivering services and ensures close control and monitoring. It uses benchmarking to challenge the value for money of services and implements improvement as a result. The Council has set and is achieving stretching efficiency targets. Overall this budget reduction amounts to 17 per cent of the 2006/07 approved net operating expenditure in cash terms. The Council is collaborating with others to improve value for money through shared procurement and costs for key services demonstrate good value.

Governing the business

- 22** The Council has a clear vision and its Council Plan sets out priorities and targets based on extensive consultation as part of the development of its Sustainable Community Strategy. The Sustainable Procurement Policy aims to ensure that sustainability considerations are built into all procurement decisions. Examples include the Elmfield offices which won an award for environmental best practice for its use of renewable energy sources and energy saving technologies.
- 23** The Council used business processing re-engineering to change processes and structures to improve outcomes and value for money. This has significantly reduced costs and improved housing benefit processing across all key indicators. The waste contract shows improved service performance resulting from the collection of and use of data. The Council's response to the Climate Change and Flooding agenda is an excellent example of how it has focused on achieving integrated social, economic and environmental outcomes for local people in its commissioning.

Managing resources

- 24** The Council is effective in planning and developing its workforce. The Council achieved 20th position in the 'Times Best Council' initiative. Sickness absence is amongst the lowest councils nationally. The Council has moved from level 0 to level 2 of the LG Equalities scheme in two years and invests in the health, safety and wellbeing of its workforce. The Council's Workforce Strategy and Action Plan clearly set out how it achieves its objectives through its people over the next three years. Although the Council's corporate approach to managing organisational change is still developing, it fully involves staff in the implementation of change.

VFM conclusion

- 25** 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.
- 26** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 27** I have discussed and agreed this letter with the Chief Executive and the Strategic Directors. I will present this letter at the Audit and General Purposes Committee in December 2009 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.

Table 3

Report	Date issued
Audit Plan	May 2008
Opinion Plan	May 2009
Annual Governance Report	September 2009
Annual Audit Letter	November 2009

- 29** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's 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

Theme score	3
Key findings and conclusions	
The Council has sound arrangements across all aspects of managing finances and these are delivering outcomes for local people.	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has a ten year financial strategy which maps out key financial assumptions. Within this overarching framework, the Council works to a three year plan which sets out its vision and key priorities and demonstrates how the Council will deliver the Local Strategic Partnership Community Plan. The Council has shifted resources from low to high priority areas: enhanced green waste system, extended CCTV scheme and support for homelessness and affordable housing.</p> <p>Local communities were engaged as part of the Council’s flood prevention activities to help identify areas where, not only Council resources should be focused, but also resources of partner agencies eg Environmental Agency, Thames Water and Oxfordshire County Council. This has informed the Council’s financial planning process with additional funds being incorporated into the Capital Programme. Ongoing engagement is carried out with staff through the Staff Forum.</p> <p>The Financial and Management Overview and Scrutiny Committee play a significant role in holding officers to account on financial issues. The challenges around investment in Icelandic Banks and lower interest rates are high on the Council’s agenda. Cabinet and Councillors work closely with Directors, Service Heads and budget officers to deliver savings as set out in the long term financial strategy.</p>	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council understands its service costs. It uses benchmarking to challenge the VfM of services and identify scope for improvement and considers the wider social, environmental and economic factors in major procurement decisions. The Council has set and is achieving stretching efficiency targets. It set an initial target in 2007 of making a £1.2m cashable saving over a three year period. It has reviewed its Financial Strategy in the light of the economic downturn and has set a revised target of £2.1m over 6 years. This has focused the Council towards seeking new ways of delivering services. For example, business process improvement in Waste Recycling has identified improvements that are being used to develop the new waste contract.</p> <p>Business process improvement in the benefits service has significantly reduced costs and improved benefits processing across all key indicators. The Council is collaborating with others to improve VfM, through shared procurement and is evaluating the potential for shared services with Cotswold Council. Costs for key services demonstrate good value. The relative and total cost of key services has gradually reduced or stayed the same while performance has generally improved in important areas such as benefits, waste and environmental services.</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council's internal financial monitoring is relevant, reliable and timely. Budget information is provided to budget holders to enable them to make decisions based on up to date information throughout the organisation. February 2009 MTFS refresh included a risk assessment against each key financial strategy deliverable. For example: failure to deliver ongoing efficiency savings in 2008/09 is low risk but this rises to medium risk in later years.</p> <p>This year has seen an improvement in the accounts preparation compared to last year: finance staff identified an error in the FRS17 disclosure which meant that the accounts were amended and re-signed before the end of June. The Council has consistently prepared its accounts in accordance with statutory timetables. The accounts are properly approved by the Audit and General Purposes Committee. The Council publishes its accounts and Annual Audit Letter on its website in a timely manner.</p>	

Governing the business

Appendix 1 – Use of resources key findings and conclusions

Theme score	3
Key findings and conclusions	
The Council has sound arrangements across all aspects of governing the business and these are delivering outcomes for local people.	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council's vision of intended outcomes is clear from its Council Plan. It consults with local people and stakeholders in developing & designing services. For example, the new waste contract was redesigned to reflect the wishes of residents borne from consultation for a continued weekly service rather than a fortnightly one. Significant Big Lottery funding was secured to enable the Council to improve free children's play spaces. This was achieved on the back of strategically identified proposals to address needs following consultation with town and parish councils and stakeholders.</p> <p>The Council is re-designing and developing services that are improving access and the overall customer experience while delivering better value for money. Its new phone system is enabling better access to services through more effective call handling. An on-line payment system enables customers to pay electronically for the Council's green waste scheme and a new system for issuing bus passes makes it cheaper and more convenient for local people to obtain passes.</p> <p>The Council works collaboratively with others to strengthen procurement and deliver economies of scale. It is a founder member of the Oxfordshire, Milton Keynes and Buckinghamshire Procurement Partnership, and has joined with other Oxfordshire districts to establish a Procurement Hub. This will increase overall capacity and drive further efficiencies through aggregation of spend and use of consolidated framework contracts, but it is too soon to assess the impact.</p> <p>The Council's procurement decisions achieve wider community benefits. Renewal of the leisure contract included environmental targets in the specification including achieving 10 per cent reduction on energy usage over the period of the contract; and participating in environmental awareness campaigns and promotions.</p> <p>The Council reviews the competitiveness of service and takes action where it identifies potential for improvement. For example, it took back in house elements of the waste service following poor performance, pending re-tendering of a new waste contract. New arrangements are reducing missed collections. It has also internalised the work of the Home Improvement Agency following poor contract performance, providing a better service at lower cost.</p>	

Appendix 1 – 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>3</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council has good arrangements for the production and use of reliable data to support decision making. Cabinet receive quarterly data on key Council priorities through a specific priority scorecard based on CPA indicators. The Council has demonstrated a proactive approach to National Indicators through the work of the Performance Review Team. Data collection for the waste contract shows improved service performance since the contract was brought back in house with fewer missed bins and complaints to the Council.</p> <p>Performance is measured compared to national quartiles. The Council's performance has improved significantly over the last two years as a result of this focus on performance improvement: benefits, planning and environmental health were previously areas of poor performance</p> <p>The Council incorporates good practice standards into its policies and procedures to safeguard its management information. The Council is ISO27001 compliant, meeting Government standards for information security. The Council successfully implemented the Government Connect Code of Conduct within the original deadline and has taken a proactive approach to promote data security to staff.</p> <p>The Council has been a key player in Partnership Governance arrangements across Oxfordshire: West Oxfordshire has led the development of the Partnership Performance Framework to support the delivery of the Local Area Agreement and the Sustainable Community Strategy (Oxfordshire 2030) and the targets in the national indicator set.</p>	
<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p> <p>The Council has reviewed and revised its Local Code of Corporate Governance adopting the six core principles of the Good Governance. Members and officers are clear about roles and responsibilities. The Standards Committee ensures standards are maintained. Complaints and Whistle blowing procedures are available. A formal review of the Council's vision and priorities created a programme of change to improve organisational capacity and capability to meet current challenges. Members and officers are focused on strategic priorities eg revision of the Medium Term Financial Strategy. The vision and priorities are incorporated into the Council Plan and Service Plans. The Council's efficiency agenda targets key priority projects, eg working with Cottsway Housing to deliver affordable housing. The West Oxfordshire Community Strategy sets out the Council's partnership aspirations. The Council undertook extensive market research, consultation and community engagement with local people and stakeholders to ensure that priorities meet local needs. The Council developed a partnership toolkit for a structured self evaluation and monitor of its partnerships and this approach has been adopted at County level through the Public Services Board.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 2.4 (risk management and internal control)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>Risk Management has embedded over the past year in strategic and financial planning: the Council has reviewed its approach to risk management to ensure a broader understanding of the principles throughout the Council. It has established a Risk Management Group made up of representatives from all the Services areas across the Council. Cabinet receives a quarterly update on the key risks around the Council meeting its key priorities.</p> <p>Revenues and Benefits are a good example of risk management around organisational change. The Council used Business Processing re-engineering to change processes and structures to improve outcomes and value for money; the service has significantly reduced costs and improved benefits processing across all key national indicators.</p> <p>The Council's approach to tackling fraud and corruption is strong and it has a high level of resource in the benefit fraud team. It demonstrates a good level of communication on fraud issues that helps support an anti fraud culture. The council has maintained a sound system of internal control which includes the required documents, standing orders, scheme of delegation. The Council continues to have a strong and effective internal audit team which reports effectively to members and senior officers.</p>	

Managing resources

Theme score - only KLOE 3.3 relevant for 2008/09	2
Key findings and conclusions	
The Council is effective in planning and developing its workforce. Although the Council's corporate approach to managing organisational change is still developing, it fully involves staff in the implementation of change.	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has recently developed a Workforce Strategy and Action Plan that clearly sets out how it intends to achieve its objectives through its people over the next three years. However, detailed work force plans to underpin & feed into the strategy are still developing. At a strategic level, the Council is aware of the gaps in its workforce and is addressing the risks. The Council works with others to gain efficiencies through its workforce, for example, sharing the Chief Executive and key officers with Cotswold DC.</p> <p>The corporate approach to managing organisational change is still developing. The Council has piloted a managing change tool kit. This has been successfully implemented in Revenues and Benefits. Plans are in place to train managers to deliver change. It engages staff in change management and uses a range of methods for consulting with staff and encourages them to influence change by participating in project groups. The Council monitors staff satisfaction through change, for example through the management restructure, but has not yet developed and tested a post implementation review process.</p> <p>The Council has developed a policy framework to support good people management and to ensure compliance with equalities legislation and duties. The Council's workforce is generally representative of the area. The Council promotes itself as a good employer. It has a range of flexible working policies to support individual lifestyles such as job share, home working and flexi. It invests in the health, safety and wellbeing of its workforce.</p>	

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

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

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

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

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
