

Audit Summary Report

June 2006



Regularity Report

West Wiltshire District Council

Audit 2004-2005

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; and
- 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 and 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.

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

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Introduction

- 1 The Code of Audit Practice applicable to the audit of the financial year 2004/05 requires us to review the financial aspects of your corporate governance arrangements and to consider how they relate to:
 - the legality of transactions that might have significant financial consequences;
 - the financial standing of the audited body;
 - systems of internal financial control; and
 - standards of financial conduct and the detection of fraud and corruption.
- 2 We are also required to issue an opinion on the Council's annual accounts as to whether they present fairly the financial position for the year ended 31 March 2004. As part of our interim visit, we review the Council's core processes. These are considered to be:
 - the main accounting system;
 - budgetary and other high level management monitoring controls; and
 - the closedown process for the year-end statement of accounts.
- 3 This report summarises our interim work on core process review and on the financial aspects of corporate governance. At the request of the Council our interim work has substantially been carried out at the same time as our final accounts work.
- 4 Our approach combines each of these areas into an integrated review of the Council's arrangements as a whole. It is the responsibility of the Council to put in place arrangements to ensure the proper conduct of its financial affairs, and to monitor their adequacy and effectiveness in practice. It is our responsibility under the Code of Audit Practice to review and, where appropriate, report upon the Council's arrangements.

Audit approach

- 5 Our detailed work in each area flowed from an initial assessment of the risks undertaken during the initial planning stage of the audit. This has been updated during the year in discussion with officers and review of minutes and other Council documentation.

Main conclusions

- 6 Based on our work to date, the Council has adequate arrangements to ensure:
- the legality of transactions which might have significant financial consequences; and
 - its financial standing.

In addition the Council has adequate:

- systems of internal financial control and;
 - arrangements to ensure standards of financial conduct and to prevent and detect fraud and corruption.
- 7 The outcome of the interim work is reported below. In addition the Council's core processes should minimise the risk of material misstatement in the statement of accounts.

Detailed findings

- 8 Our findings in relation to each area are detailed in the following sections. In the autumn we will be undertaking further work in many of these areas as part of our 'use of resources' assessment, the guidance for this work was issued in June 2005.

Legality of transactions

- 9 In July we met the Council's former Monitoring Officer (MO) (who has subsequently left the Council) and discussed arrangements for ensuring the legality of transactions. These include arrangements for; the MO to review Council reports, informing the MO of issues and for disseminating information on new legislation to Members and officers. We have also gained assurance from our review of minutes and follow-up to previous audit work.

Council constitution

- 10 The Council is reviewing currently its constitution with a view to having a revised version ready for approval in December 2005. As part of this process it is planned to have training and possibly plain English guides to the constitution to assist a wide understanding of the arrangements.
- 11 The review of the Constitution also provides an opportunity for the Council to reconsider reporting arrangements for our audit and inspection work. There is scope to improve governance arrangements by establishing one audit committee to review the work of both internal and external audit (and inspection) with terms of reference for agreeing audit plans and reviewing the output of audit work. We have discussed the technical detail of how this might work with officers. We understand that the revised draft constitution includes provision for an audit committee.

Monitoring officer (MO)

- 12 To ensure that officers and Members are aware of the role and work of the MO a number of authorities have been adopting a protocol which has been developed by the association of council secretaries and solicitors. This explains the role of the MO. We have recommended in previous years that West Wiltshire DC adopts this protocol. Last year it was agreed that this would be done but our report was never copied to the Council's MO, who at the time of our audit was newly appointed.
- 13 The former MO was not a member of the Council's management team, (CMT). In such circumstances there is scope to improve control by having a formal procedure to notify the MO of relevant legal issues discussed at CMT. We note that the current MO is a member of CMT.
- 14 The legal section copies out information on new legislation to service managers. There is scope to improve governance arrangements by formalising this process and by producing an annual report on significant legal issues affecting the Council, identifying successes and difficulties, confirming that service managers have taken due regard of them and identifying learning issues.

Follow up work

- 15 As part of the annual audit we follow up matters raised in previous years. Specifically this year we discussed the Council's response to audit matters raised in 2001 relating to a housing development in Westbury Leigh. These concerned Council procedures for dealing with developers and determining public open space requirements. We understand that.
 - The Council now always seeks to use multidisciplinary teams when dealing with developers so that all issues are linked to together.
 - The Council intends to undertake a further review of planning policy in relation to public open space requirements and the way these are specified in section 106 agreements.
- 16 An audit of the complaints system was done as part of our 2002/03 audit and a number of recommendations were agreed at the time. Follow-up work as part of the 2004/05 audit indicates that the Council has not implemented the recommendations. Key to the previous audit report on the complaints system, was the need for the Council to do a corporate analysis of the complaints received to identify patterns and lessons that could be learned, and to issue reports to Members and senior officers summarising performance in dealing with complaints.

Recommendations
<i>R1 The MO should organise training for Members and officers on the new constitution and on the role of the MO, to coincide with the introduction of the new constitution and related arrangements.</i>
<i>R2 The Council should consider establishing an audit committee in conjunction with its review of the constitution.</i>
<i>R3 To improve the Council's corporate governance arrangements the Council should adopt the monitoring officer protocol into its constitution.</i>
<i>R4 The MO should prepare an annual report on legal issues to present to a suitable committee this should refer to the more significant new legislative requirements affecting the Council over the previous year and confirm how the Council has dealt with them.</i>
<i>R5 Officers should review the action plan agreed following the audit of the complaints systems as part of the 2002/03 audit and respond to the auditor and to Members</i>

Financial standing

- 17 Our review of financial standing to date has included consideration of the Council's budget setting and monitoring arrangements.
- 18 The Council is developing a Private Finance Initiative scheme to provide 400 affordable dwellings for rent. An outline business case was submitted to the Office of the Deputy Prime Minister in September 2005. If successful, it is anticipated that the contract will commence in late 2007 for a 30 year period. There is the risk that from outline business case to contract close the financial implications of the contract will change. This will require careful monitoring.

Recommendations
<i>R6 The PFI team should continue to monitor the impact of the PFI scheme as it develops.</i>

Systems of internal financial control

- 19 In considering the Council's system of internal financial controls in relation to our duties under the Code of Audit, we have reviewed the work of internal audit, the Council's risk management arrangements and arrangements for monitoring the effectiveness of systems.
- 20 We have undertaken a detailed assessment of internal audit and issued a separate report. We found that we could rely on the work of internal audit and that they considered relevant controls within key financial systems. We reported that there was scope for internal audit to extend their level of sampling when undertaking testing of financial controls within systems and to consider a wider range of controls with the Council's internal control environment.

- 21 The Council's risk management arrangements continue to evolve. At the time of our review the Council had established a risk management strategy identifying roles and responsibilities. Service risk assessments had been completed and considered by the risk management group. A strategic risk assessment had also been completed. At the time of our review the risk register was still being consolidated into one document. We understand that it is now on the Council's intranet. The Council needs to continue to embed its arrangements and ensure that risks recorded in the risk register are linked to mitigating controls and allocate responsibility for actions.

Recommendations

R7 The Council needs to continue to develop its risk management processes and ensure they become embedded in management procedures.

Standards of financial conduct and arrangements to detect fraud and corruption

- 22 We have reviewed the Council's arrangements for securing ethical and good governance procedures around treasury management and processes in place to detect fraud and corruption.
- 23 A Standards Committee is operating effectively, which receives good support from officers. The Committee has a wide ranging work programme, which includes reviewing protocols and complaints, reviewing the constitution and advising on the code of conduct. Governance would be improved if the Committee received an annual report on the operation of the ethical framework within the Council. This report could detail progress on complaints, training undertaken by members, whether registers of interest were being updated, and confirm acceptance of the Members code of conduct.
- 24 There is a detailed fraud and corruption strategy in place, which is due to be reviewed and updated. However, there does not appear to be a central register where allegations and subsequent action are recorded. The Council should set up such a register in order to demonstrate that it has reviewed all allegations seriously. The Council also needs to raise the awareness of staff on general fraud issues, and we understand that service managers will cascade the new strategy once it has been agreed.
- 25 All allegations concerning possible housing benefit fraud are reviewed and recorded by investigation officers, and decisions are taken by the benefit fraud team as to whether an investigation is worthwhile. There is currently no risk based approach to this, although we understand that the Council is planning to implement such a strategy in the future.

Recommendations
<i>R8 The Standards Committee should receive an annual report on the operation of the ethical framework within the Council.</i>
<i>R9 The Council should establish a central register to record any allegations of malpractice and the response by the Council.</i>
<i>R10 When the new up-dated fraud and corruption strategy is issued it should be cascaded to staff to raise their awareness.</i>

Core process review

- 26** We have reviewed the work of internal audit relating to the main accounting system and budgetary control and supplemented this with our own testing where necessary. We note the findings and the recommendations raised by internal audit in their report. There are no further matters we wish to raise.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<i>Regularity issues</i>						
7	R1 The MO should organise training for Members and officers on the new constitution and on the role of the MO, to coincide with the introduction of the new constitution and related arrangements.	3	Legal and Democratic Services Manager	Yes	This will be organised in January and February 2006	January and February 2006
7	R2 The Council should consider establishing an audit committee in conjunction with its review of the constitution.	3	Council	Yes	This will be a decision for the Council. The draft Constitution is due to be considered by Members on 15 December.	December 2005

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R3 To improve the Council's corporate governance arrangements the Council should adopt the monitoring officer protocol into its constitution.		Monitoring Officer		Will consider.	
7	R4 The MO should prepare an annual report on legal issues to present to a suitable committee this should refer to the more significant new legislative requirements affecting the Council over the previous year and confirm how the Council has dealt with them.	2	Legal and Democratic Services Manager	Yes	We will seek to focus on learning points.	2006

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Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R5 Officers should review the action plan agreed following the audit of the complaints systems as part of the 2002/03 audit and respond to the auditor and to Members.	3	Policy and Communications Services Manager	Yes	A new complaints systems has now been issued, (November 2005), we will seek to ensure that arrangements become embedded.	Ongoing
7	R6 The PFI team should continue to monitor the impact of the PFI scheme as it develops.	3	PFI Group	Yes		Ongoing
8	R7 The Council needs to continue to develop its risk management processes and ensure they become embedded in management procedures.	3	Risk Management Group	Yes	There will be further Member training in January 2006.	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R8 The Standards Committee should receive an annual report on the operation of the ethical framework within the Council.	1	Legal and Democratic Services Manager	Yes		2006
9	R9 The Council should establish a central register to record any allegations of malpractice and the response by the Council.	2			This will be linked to the complaints system.	
9	R10 When the new up-dated fraud and corruption strategy is issued it should be cascaded to staff to raise their awareness.	3	Head of Finance	Yes	Updated strategy will be launched at CMT and cascaded to service managers.	February 2006