

Annual Audit and Inspection Letter

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.
- 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

© Audit Commission 2006

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

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.

Contents

Introduction and key messages	5
Introduction	5
Key messages	5
Performance	7
Direction of travel	7
Audit commission inspections	12
Performance information	13
Follow-up work	13
Accounts and governance	14
Audit of 2004/05 accounts	14
Report to those with responsibility for governance in the Council	14
Matters arising from the final accounts audit	14
Financial standing	15
Systems of internal financial control	17
Standards of financial conduct and the prevention and detection of fraud and corruption	17
Legality of transactions	18
Use of resources judgements	19
Other work	22
Grant claims	22
National Fraud Initiative	22
Looking forwards	23
Future audit and inspection work	23
Revision to the Code of Audit Practice	23
A new CPA framework	23
Closing remarks	24
Availability of this letter	24
Appendix 1 – Background to this letter	25
The purpose of this letter	25
Audit objectives	25

Appendix 2 – Audit reports issued since the last Annual Letter to members	27
Appendix 3 – Audit fee	28
Inspection fee update	28

Introduction and key messages

Introduction

- 1 This final audit and inspection letter summarises our 2004/05 work (and 2005/06 work that has been completed to date) including completed inspections and our audit of the Council's accounts and governance arrangements. We provided the Council with an interim audit and inspection letter in November 2005. This final letter is that interim letter updated to reflect our recent work on assessing the Council's use of resources arrangements and your direction of travel in relation to your corporate performance assessment.

Key messages

Performance and inspection

- 2 We have reviewed the Council's progress against its key improvement priorities. More details of this commentary on direction of travel can be found later in this report. The Council's performance on service delivery is in the context of being one of the lowest spending councils on services per head of the population.
- 3 The Council has a generally strong approach to consultation and communication however customer access can be difficult for some people and there is more scope to work with partners to provide a more seamless service across the county.

The accounts and governance

- 4 The Council's financial standing remains satisfactory although the Council will continue to face pressures in setting future year's budgets.
- 5 Governance would be further strengthened by developing the role of the new audit committee being set up under the new constitution.
- 6 The Council should strengthen its asset management arrangements.

Action needed by the Council

- 7 The Council needs to carefully monitor progress against its ambitious targets.
- 8 Members should continue to oversee the development of a long-term vision and strategy for delivering the customer first priority. This should reflect the needs and aspirations of customers, local communities, and other stakeholders; and inform key corporate plans and strategies of the Council.

- 9 Members should continue to monitor the risks arising from the housing PFI scheme as the bid develops and continue to consider the impact on the budget and maintain prudent balances.
- 10 The Council should develop an action plan to address the improvement areas identified in our recent Use of Resources report.

Performance

Our work to date has concentrated on reviewing the Council's progress against its key improvement priorities. Our findings are set out below in the commentary on direction of travel.

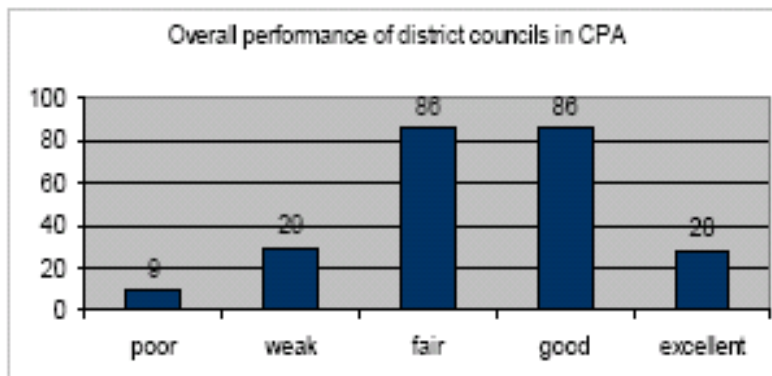
We have also considered the important area of customer focus. We found the Council has a strong approach to communication and consultation but that customer access was difficult for some people and there was more scope to work with partners to provide a more seamless service across the County.

Direction of travel

- 11 West Wiltshire DC was assessed as Fair in the Comprehensive Performance Assessment (CPA) carried out by the Audit Commission in 2004. These assessments have now been completed in all district councils with the following results.

Figure 1 Overall performance of district councils in CPA

Three times as many district councils are rated Good or Excellent than Poor or Weak



Source: Audit Commission

- 12 Since the CPA assessment, the Council has identified its priorities for improvement and the Commission have been working with the Council as it seeks to improve further. The Council adopted a corporate plan in 2004 setting out the things it wants to improve ('spotlights') over the five years from 2005 to 2010 and how it aims to conduct its work ('getting the job done'). It has set about addressing each one of these areas since the plan was adopted. Set-out below is a commentary on the Council's progress against its six 'spotlight' areas and on 'getting the job done'. Our assessment uses, in the main, performance information relating to 2004/05. This means that in many cases, the

improvements to services have had little time to influence the statistics that underpin this review.

Council capacity and performance management

- 13 The Council has integrated its CPA improvement plan into the eight organisational priorities ('getting the job done') within its Corporate Plan. Set out below is a commentary on the Council's progress against each of these priorities.

Efficient and effective services

- 14 In the period 2002/03 to 2004/05, 61 per cent of the Council's service best value performance indicators (BVPIs) improved, but 60 per cent of these BVPIs are below average when compared to other councils. However, most of these lower performing areas are improving. In 2004/05, 20 per cent of BVPIs were among the best 25 per cent of councils. The Council has set itself a very ambitious target to achieve 40 per cent this year although it is predicting that it will not achieve this. The Council's performance on service delivery is in the context of being one of the lowest spending councils on services per head of population compared to other councils nationally and it has achieved the government's efficiency targets early.

Higher quality communication with the public

- 15 An Audit Commission inspection of the Council's focus on customers in 2005 concluded that it has generally a strong approach to communication and consultation that has contributed to a high proportion of local people who feel they are kept informed by the Council.
- 16 Satisfaction of complainants with the way their complaint was handled in 2003/04 was among the best 25 per cent of councils at 38 per cent and better than it was in 2000/01. However, a large number of people remain very/fairly dissatisfied with the way their complaint was handled (48 per cent). In 2005, the Council introduced a corporate three-stage approach to complaints handling which at the final stage includes an investigation by the Council's complaints officer.

Sound financial management

- 17 The Council's financial management arrangements have improved over time. It has robust financial planning and budget monitoring is good. In recent years it has also improved its levels of balances and reserves. However, there are weaknesses in the strategic management of its property assets. Over the last few years, the Council has improved the speed of paying invoices and in 2004/05 its performance was above average. However, the performance on the collection of council tax deteriorated in 2004/05 and at that time, it performed below the average for councils nationally.

Valued and well supported staff

- 18 The CPA reported that this is an area of strength for the Council and since then BVPIs for 2004/05 indicate positive progress. Staff sickness rates deteriorated in 2003, the rate improved in 2004 and the Council's latest monitoring figures show an improving trend. The Council's analysis of its 2005 staff survey reports improving levels of staff satisfaction with their employer across a range of measures. The Council has introduced new recruitment and induction arrangements, home working, a volunteering policy, home computing initiative, and a staff support programme.

A focus on priorities

- 19 A key weakness in the Council's corporate assessment in 2004 was the lack of progress in developing a long-term vision with its local strategic partnership (LSP) and the community. The Council has now adopted a Community Strategy and a Corporate Plan. The organisation has been restructured around these priorities, to give these areas more of a corporate focus.

A well planned approach

- 20 The Council has made enhancements to its approach to performance management by linking service planning and performance monitoring to Corporate Plan priorities and is reporting progress against targets on a regular basis.

Strong community leadership

- 21 The Council has recently secured additional funding from the government to address community leadership on behalf of all Wiltshire authorities. It is also working on developing a more effective scrutiny role by consolidating this function into a single committee. Scrutiny has been active in challenging the value for money of service delivery but has yet to expand its role in challenging the Council's performance in delivering outcomes for its community. A significant area of progress for the Council is the publication of area community plans for each of the five principal towns in the district.

Accessible democratic decision-making

- 22 The Council has few measures of achievements, targets or progress against this ambition to engage the community in its work through consultation and participation. It has set itself a target to publish 95 per cent of committee minutes within five days but it is not currently achieving this. However, improvements to its website have made it easier for people with access to the internet to find out more about the Council's work and make comment on it.

Spotlight areas for improvement

- 23 Set out below is a commentary on the Council's progress against each of these improvement priorities.

Improve development control

- 24 Since 2002/03, the Council improved its speed of processing for two categories of planning application from being one of the worst performing councils and it is now meeting government targets for minor and other applications. On major applications, performance improved significantly in 2003/04 but declined in 2004/05. However, the Council's latest monitoring report shows recent improvement. In the last three years, the Council's performance on the proportion of housing built on previously developed land has improved and now exceeds the south west regional planning target of 50 per cent.

Recycling more waste

- 25 The Council has worked closely with the Wiltshire Waste Partnership to maximise recycling. In the period 2002/03 to 2004/05, the Council's recycling rate increased significantly from a low base of 7.5 per cent to 17 per cent. The Council's latest monitoring reports show it is achieving 26 per cent, which is exceeding its government target of 21 per cent by 2005/06. Costs in 2004/05 show that this is a low cost service.

Meeting housing need

- 26 The supply of affordable homes through the planning system falls below the identified annual need and the Council's target. Although the Council is maintaining a steady flow of new affordable homes for the district, in recent years it has not increased the number it provides. In 2005/06, it expects to complete at least 80 new affordable homes but this is fewer than last year when 101 affordable homes were built. However, it is planning to deliver more homes in the future through a private finance initiative it is currently negotiating with the government to provide 400 affordable homes over five years. The Council has also recently introduced supplementary planning guidance for affordable housing so that it is clear to property developers what is required from them.
- 27 On private sector housing, the Council improved fewer unfit homes than the average for councils and fewer than the previous year. It is predicting that it will not meet its targets this year either. In addition, the number of empty homes that have been returned to use has decreased from 30 in 2003/04, to six in 2004/05. At the end of December 2005, it has only returned one home to occupation and is predicting that it will not meet its annual target of 35.

- 28 Its progress in reducing the number of families placed in temporary accommodation compares with the top performing councils in 2004/05 and it is predicting that it will improve on its own high target in the current year. The Council continues to not place families in bed and breakfast accommodation, something it has done since 2003, ahead of government deadlines. The direction of the Council's performance on reducing the length of stay in hostels cannot be compared over time and with others with any certainty because the way the Council calculated these figures last year is unreliable.

Better access to recreation

- 29 The Council's leisure and recreation service is high cost but the 2003/04 national best value satisfaction survey shows that it is generally well used and customer satisfaction is high. However, more recent monitoring by the Council shows that fewer people are using its leisure facilities this year and it is not meeting its own targets for this. This is despite all eight of its leisure centres retained the national quality standard, 'Quest' in 2005.

Improve our market towns

- 30 The Council's performance on keeping public land clean cannot be compared to other councils because the way it calculated its figures in 2004/05 cannot be relied upon. However, the Council's latest monitoring report shows a very low target for cleaning (40 per cent) in 2005/06, which falls well below the 2004/05 standard achieved by even the worst performing councils and falls well short of the LPSA target of 17.5 per cent by 2007/08. The Council has earmarked some funding to improve performance in this area. The Council's most recent monitoring report shows that it is currently delivering a low level of performance. However, despite this, public satisfaction with cleanliness of the area has improved considerably from being one of the worst performing councils in 2000/01 to above average in 2003/04.
- 31 Recorded crime figures published by the Home Office show that the level of crime in the district is low on all types of crime and that levels continued to fall for most crimes between 2003/04 and 2004/05. Cases of robbery increased in that time but still remained at a low level compared to other council areas.
- 32 Although there are many examples of work the Council is doing aimed at the local economy, its quarterly monitoring arrangements and targets do not show the impact these initiatives are having on improving the economic prosperity for its market towns and the wider area. A significant example of the Council's work is the proposal it is developing for transforming Trowbridge through private and public sector development to provide better facilities in the town.

Putting customers first

- 33 An inspection of the Council by the Audit Commission in 2005 concluded that it provides a 'fair' level of customer-focused services that have promising prospects for further improvement. Overall satisfaction with the Council has fallen from 83 per cent in 2000/01 to 65 per cent in 2003/04 (figures adjusted for deprivation). While this decrease is slightly greater than the national trend, public satisfaction with the Council still compares with the best performing 25 per cent of councils. There are also high levels of satisfaction with many of the Council's individual services.
- 34 The Council is delivering more of its services electronically. In 2004/05, it was above average on this compared with other councils. The Council is now delivering even more of its services electronically with 98 per cent of them available by this method in December 2005.
- 35 The Council has in the past made slow progress in embedding good equalities practice. In 2004/05 the Council had only reached level 1 on the equality standard for local government. It is currently working towards level 2. Progress against the duty to promote race checklist score was 53 per cent in 2004/05, which is below average, but the Council is doing more work on this and its latest monitoring reports show improved performance here.
- 36 The Council did not meet the statutory requirement to remove physical barriers to its services for people with a disability by October 2004. However, one of the two outstanding buildings has recently been made compliant and the Council is working on making the remaining building compliant by April 2006.

Audit commission inspections

Customer focus inspection

- 37 Customer focus is about refocusing services around the needs of all sections of the community. An accessible and user-focused organisation places the customer at the heart of service delivery, it knows what local people want and has organised itself to deliver this. Developing a more user-focused approach is not just a regulatory obligation. It is also part of good management and providing high-quality services.
- 38 Improving customer focus has been highlighted as a priority for improvement by all five councils in Wiltshire. As a result, an inspection of customer focus at the Council was undertaken in June and reported in October alongside similar reports for the other councils in the county.
- 39 The inspection judged that West Wiltshire District Council provided a 'Fair' service with promising prospects for improvement. It found that there are high levels of satisfaction with the Council and a generally strong approach to communication and consultation, which has contributed to a high proportion of local people who

feel they are kept informed by the Council. However, customer access can be difficult for some local people. The main office is geographically remote for many, not all Council buildings are suitable for and accessible to disabled people and there has been slow progress in embedding equalities.

- 40 In addition, the Council and its partners (particularly the other councils in Wiltshire) are not yet maximising the potential for joint working to provide a more customer-focused service that meets the needs and expectations of local people for a more joined up and seamless service across the county.
- 41 Key recommendations to the Council arising from the inspection include:
- defining a long-term vision and strategy for delivering the customer first priority, that reflects the needs and aspirations of customers, local communities, and other stakeholders; and informs the key corporate plans and strategies of the Council and its partners;
 - taking positive steps to embed equality and diversity and a customer-focused culture across the Council;
 - working with partners to provide a more joined up and seamless service across the county; and
 - developing a robust and fully resourced project plan which identifies risks, value for money targets, performance management arrangements and identifies the role that partners will play, for example, in sharing learning.
- 42 Key findings common to all five councils were presented to a meeting of the county-wide Customer First Partnership Board in September 2005. Each council had strengths in different aspects of customer focus and councils were urged to learn from each other. Common areas for development were agreed and the Partnership plan to take action to improve in these areas.

Performance information

- 43 We have reviewed your performance information by auditing performance indicators specified by the Audit Commission. We have issued an unqualified opinion on your best value performance plan and discussed a detailed report with officers.

Follow-up work

Complaints system

- 44 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 our 2004/05 audit, indicated that the Council had 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. The Council should review its response to the previously agreed action plan. We note that a new complaints system was launched in November 2005.

Accounts and governance

We have given your accounts an unqualified audit opinion.

Based on our work to date, we have not identified any significant weaknesses in your overall corporate governance arrangements. Members need to continue to monitor the financial impact of the PFI scheme and ensure that prudent balances are maintained.

Audit of 2004/05 accounts

- 45 We gave an unqualified opinion on the Council's accounts on 31 October 2005.

Report to those with responsibility for governance in the Council

- 46 We are required by professional standards to report to those charged with governance certain matters arising from our work. We would normally seek to do this before we give an opinion on the financial statements. However, this year we have combined this responsibility with the interim audit letter discussed in November 2005. There were no matters arising from this year's audit of the accounts that members could have acted on prior to our giving the opinion.

Matters arising from the final accounts audit

- 47 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 29 June 2005 at full Council. The Council is therefore well-placed to meet the Government's earlier reporting deadlines next year when the formal requirement is to approve the accounts by the end of June 2006.

- 48 The Government's system for controlling local authority capital expenditure changed for the financial year 2004/05 with the introduction of the Prudential Code. Under the new system, local authorities are required to determine and monitor their 'capital financing requirement' (the amount of the capital assets that an authority still has to pay for). This measure is the difference between the value of an authority's capital assets and the resources it has set aside to pay for them. Under the previous system, a memorandum account called a 'credit ceiling' provided an equivalent measure. The change from one measure to another has identified differences at some authorities between the balance sheet and memorandum accounts. In these circumstances the reasons need to be investigated. The difference could reflect valid adjustments required under the former capital financing system, errors in the balance sheet or errors in the memorandum account. For this Council, the difference is £0.642 million. In common with many other authorities, the Council is having difficulty explaining the difference due to the length of time to go back (the Council has been required to calculate its credit ceiling since 1990). Officers agreed to include a note to the accounts explaining the issue and undertake further work to reduce the unexplained difference.
- 49 The Council holds £1.4 million in developer's deposits. These were initially shown in the draft accounts under the heading of reserves. To comply with the accounting guidance, these have been re-designated as deferred income and capital contributions. This is a disclosure issue and does not affect their availability or potential use which is defined by the agreements with the developers.

Financial standing

- 50 The Council's financial position is satisfactory although it continues to face pressures.

General fund spending and balances

- 51 The Council set its 2004/05 net budget at £11.439 million. Actual expenditure was £11.155 million reflecting a net underspend of £0.284 million. This was principally caused by increases in planning fee income, commercial property income, car park income and investment income. This resulted in the general fund balance increasing from £1.175 million at the start of the year to £1.459 million at 31 March 2005. This compares to the Head of Finance's recommended balance, based on an assessment of risk, of £1.2 million. Members agreed to use £0.171 million to fund one off pressures in 2005/06.
- 52 For the current year, 2005/06, the Council has set its budget at £12.382 million. At the time of our review projected expenditure for 2005/06 was £12.385 million, a net projected overspend of £3,000. Within this net position there are one-off additional pressures such as increased expenditure on legal services and reduced income for land charges, but this is balanced by savings in other areas such as reduced pension costs through using consultants.

- 53 Looking ahead to future years, there is continuing uncertainty concerning the level of Government grant, although the Government is moving toward a three-yearly announcement of grant by intending to announce two year's grant this autumn. In addition, the Council will:
- be required to carry out a local pay review by 31 March 2007 which may add to the Council's annual pay bill;
 - review its planned maintenance work in line with the process of up-dating the asset management plan; and
 - respond to service pressures such as those arising from recycling targets.

Pensions fund deficit

- 54 The Council's pension liability has increased from £17.1 million at 31 March 2004 to £24.3 million at 31 March 2005. This increase is a result of the change in estimating the future liabilities of the pension fund, as required by accounting guidance. The rate of employer's contribution to the fund is being increased, following the Actuarial valuation carried out at 31 March 2004, to reduce the liability over a number of years. This will place increased pressure on revenue budgets and will add £0.433 million to the 2006/07 budget.

Capital programme

- 55 The Council is developing a Private Finance Initiative to provide 400 affordable dwellings for rent. An outline business case was submitted to the Office of the Deputy Prime Minister in September 2005. We understand that it has recently been approved. It is anticipated that the contract will commence in late 2007 for a 30-year period. This will create a long-term financial commitment for the Council, currently estimated at £0.195 million per year (index linked) which will add to the pressure on the budget. Officers have reported on the likely impact on the Council's financial standing, although this may vary according to the amount of housing actually provided. Members should continue to consider the financial impact of the contract as the proposals develop.

Income collection and arrears

- 56 The overall recovery of arrears remains satisfactory. The Council has established a provision of £1.675 million to cover potential bad debts. Generally, the Council applies a flat rate percentage to the debts outstanding at 31 March each year. These percentages vary depending on the type of debt. This approach is based on the guidance that used to be contained within the accounting statement of recommended practice.
- 57 However, good practice would suggest that the age of the debt should also be considered and the percentage varied accordingly. There is a risk that the Council is being 'over-prudent' in its estimation of the bad debt provision. Officers have agreed to review next year the method for establishing the provision for bad debts.

Systems of internal financial control

- 58 Based on our work to date, we have not identified any significant weaknesses in the overall control framework. In considering the Council's systems of internal financial control, we work closely with Internal Audit. We also review the Council's risk management arrangements and arrangements for monitoring the effectiveness of systems.

Internal Audit

- 59 We review Internal Audit every year but undertake a more detailed review every third year. This year, we have undertaken a detailed assessment of Internal Audit and issued and agreed 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 testing financial controls within systems and to consider a wider range of controls within the Council's internal control environment.

Risk management

- 60 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 that responsibility for actions to mitigate risks are allocated.

Standards of financial conduct and the prevention and detection of fraud and corruption

- 61 Based on our work to date, we have not identified any significant weaknesses in the Council's arrangements to prevent and detect fraud and corruption. We have reviewed briefly the operation of the Council's Standards Committee and processes in place to prevent and detect fraud and corruption. We have recommended that:
- the Standards Committee should receive an annual report on the operation of the ethical framework within the Council;
 - the Council should establish a central register to record any allegations of malpractice and the response by the Council;

- when the new updated fraud and corruption strategy is issued it should be cascaded to staff to raise their awareness; and
- a more formal risk-based approach to investigating allegations concerning possible housing benefit fraud is adopted.

We have discussed a report with officers covering these matters.

Your business at risk

- 62** In common with other organisations, councils hold increasing amounts of electronic information which is relied on to provide effective services. This also brings an increased risk of fraud and abuse. We have completed a survey of staff attitudes at the Council to gauge the level of knowledge within the organisation about these risks and to highlight areas where risks are greatest.
- 63** We found in many areas there was a good understanding of the risks to which the Council is exposed. However, we found that the majority of respondents were not aware of the Council's anti-fraud strategy and information security policy. The Council needs to ensure that its procedures designed to minimise IT risks are fully publicised and implemented. We have issued a detailed report to officers.

Legality of transactions

- 64** Based on our work to date, we have not identified any significant weaknesses in the framework established by the Council for ensuring the legality of its significant financial transactions.
- 65** From our review of minutes and discussion with the Council's monitoring officer, we have made the following recommendations, that:
- as part of the review of the constitution, the Council considers establishing a formal audit committee; (this has now been done);
 - the revised constitution includes the monitoring officer protocol which has been developed by the association of council secretaries and solicitors; and
 - an annual report be prepared for Members summarising the significant legal issues affecting the Council and confirm how they were dealt with.

Follow-up to previous issues

- 66 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 together; and
 - 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.

Use of resources judgements

- 67 The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the authority. It looks at how the financial management is integrated with strategy and corporate management, supports Council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit.

- 68 We have assessed the Council's arrangements in five areas. The following table shows the Council's scores in the main areas including the sub themes.

Table 1 Council's arrangements

Overall West Wiltshire has adequate arrangements in place

Key Lines of Enquiry (KLoE)	Score
Financial reporting	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3
1.2 The Council promotes external accountability.	2
Financial management	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3
2.2 The Council manages performance against budgets.	3
2.3 The Council manages its asset base.	1
Financial standing	2
3.1 The Council manages its spending within the available resources.	2
Internal control	2
4.1 The Council manages its significant business risks.	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2
Value for money	2
5.1 The Council currently achieves good value for money.	2
5.2 The Council manages and improves value for money.	3

(Note: 1 = lowest, 4 = highest)

- 69 In reaching these judgements we have drawn on the accounts and governance work that has already been completed and supplemented this with a review against specified 'Key Lines of Enquiry', which set out a wide range of criteria.
- 70 Overall we concluded that the Council's arrangements were adequate. Arrangements for preparing and publishing the accounts, managing performance against the budget and for developing the medium term financial strategy were good. Within the 'financial management' assessment we considered the Council's arrangements for managing its assets. This area required strengthening by up-dating the asset management plan and ensuring the corporate asset management group is active in overseeing delivery of the Plan. An action plan is currently being developed by officers to address the improvement areas identified in our recent Use of Resources report.

Other work

Grant claims

- 71** In accordance with strategic regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. Our main focus with regard to the audit of grant claims at West Wiltshire is the work we complete to certify the housing benefit grant claim. We have completed our work on this claim and implemented recent guidance issued by the Audit Commission aimed at reducing our input. Importantly, our ability to reduce our work depends on the adequacy of the Council's control environment which we assess annually.

National Fraud Initiative

- 72** In 2004/05, the Council took part in the Audit Commission's National Fraud Initiative (NFI). The initiative, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. These include frauds involving benefits, pensions, tenancy, payroll and the right to buy scheme. Additional pilot work is being undertaken to further extend the scope of the initiative.
- 73** The Council submitted the required data to the Audit Commission in connection with this year's NFI but there were few significant matches, however, the initiative provides the Council with helpful assurance about internal arrangements for preventing and detecting fraud.

Looking forwards

Future audit and inspection work

- 74 We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter.
- 75 We have sought to ensure, wherever possible, that our work helps to assess the Council's progress with its improvement priorities. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Revision to the Code of Audit Practice

- 76 The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 77 The Code has been revised with effect from 1 April 2005. Further details are included in our 2005/06 Audit Plan which has been agreed with officers in April 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

A new CPA framework

- 78 The Audit Commission plans to publish a series of consultation papers in April 2006 outlining proposals for the CPA framework for district councils. We will be seeking to brief the Council on the new proposals once they are published.

Closing remarks

- 79 The interim letter which contained a large proportion of the information in the final version was discussed with the Management Team and Leaders in November 2005. The final version has been discussed and agreed with the Chief Executive. It will be presented to the Council's new audit committee in June 2006.
- 80 The Council has taken a positive and constructive approach to our audit and inspection and we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

- 81 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the council's website.

Brian Bethell
District Auditor

Melanie Watson
Relationship Manager

31 March 2006

Appendix 1 – Background to this letter

The purpose of this letter

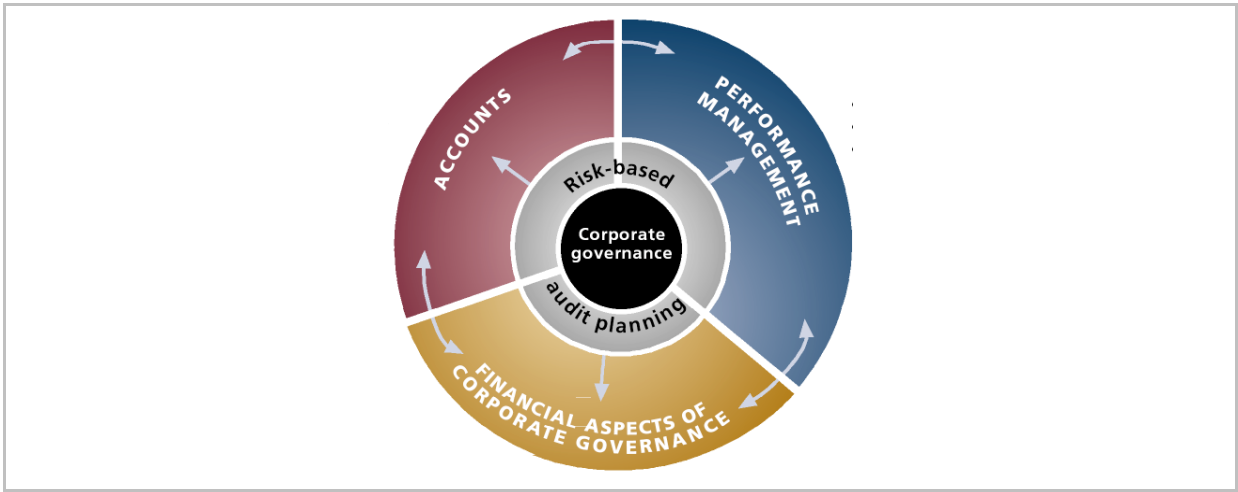
- 1 This is our Audit and Inspection ‘Interim Annual Letter’ for members which incorporates the Annual Audit Letter for 2004/05, which is presented by the Council’s Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspection work at the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

Figure 2 Code of Audit Practice

Code of practice responsibilities



Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Appendix 2 – Audit reports issued since the last Annual Letter to members

Table 2

Report title	Date issued
Audit Plan 2005/06	March 2005
Setting Service Standards	December 2004
Your Business at Risk	December 2004
Customer Focus Inspection	October 2005
Review of Internal Audit	June 2005
Regularity Report	September 2005
Final Accounts Memorandum of Matters Arising	September 2005
Audit of Best Value Performance Plan	October 2005
Interim Annual Audit and Inspection Letter	November 2005
Use of Resources Report	March 2006
Final Annual Audit and Inspection Letter	March 2006

Appendix 3 – Audit fee

Table 3 Audit fee update

Audit area	Plan 2004/05 £	Actual 2004/05 £
Accounts	23,581	23,581
Financial aspects of corporate governance	15,270	15,270
Performance		
• Improvement	12,282	12,282
• Assessment	17,105	17,105
• Use of resources	20,851	20,851
Total Code of Audit Practice fee	89,089	89,089
Additional voluntary work (under section 35)	0	0
Total	89,089	89,089

Inspection fee update

- 1 The full year inspection fee is £17,105. The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years the actual fee will be in line with that planned.