

## Agenda item No. 7

Title: **External Audit Reports - Audit Commission**

Lead Member: **Cllr Eaton – Chair Audit Committee**

Reporting officer: **Ian Jamieson – Head of Finance**

---

### **Purpose**

To consider the Annual Audit and Inspection Letter 2005/2006 and Audit and Inspection Plan 2007/2008.

### **Background**

#### 1. Annual Audit and Inspection Letter 2005/2006

The report summarises the audit work covering performance, inspection, accounts and governance. It includes a review of how well the Council is progressing (Direction of Travel) and how well the Council has managed its finances (Use of Resources). These will be an important part in any future Comprehensive Performance Assessment.

The letter has been discussed with Corporate Management Team and Cabinet. A copy of the report has been sent to all members and can be viewed on the Council's web-site.

The main messages and action needed by the Council is given below under key issues.

#### 2. Audit and Inspection Plan 2007/2008

This sets out the work to be carried out in 2007/2008. It covers the audit fee, CPA and inspection, summary of key audit risks, audit resources and audit reports. The plan has been discussed with Corporate Management Team and Cabinet. To comply with auditing standards the plan is supported by two other documents that set out the framework for the audit: the code of audit and the statement of responsibilities of auditors and audited bodies.

### **Key Issues**

#### 1. The Annual Audit and Inspection Letter 2005/2006

Main messages

- An unqualified opinion on the Council's 2005/06 financial statements was given.
- Adequate arrangements are in place for achieving value for money.
- Use of Resources score has increased from last year to performing well,

- consistently above the minimum requirements.
- A number of service improvements have taken place against a background of being the second lowest spending district council in England. Priority areas are improving.
  - The IDeA's corporate peer review, undertaken in December 2006, commented that it was making great strides in improvement, had good plans for improvement and was now a vibrant, ambitious and focused council. Such a good focus on priorities supports better services

#### Action needed by the Council

- To maintain the improved Use of Resources score, the Council needs to continue to develop and embed its arrangements including the role and work of the Audit Committee and its asset management arrangements.

## 2. The Audit and Inspection Plan 2007/2008

#### Main messages

- The audit and inspection fee is £94,972 compared to £94,322 in 2006/2007.
- The claim certification fee is £28,616 compared to £24,800 in 2006/2007.
- Inspection activity will focus on the annual Direction of Travel statement, including a review of the planned action being taken by the Council to improve processes for dealing with planning applications and improvements in street cleanliness.
- Code of audit practice work will cover financial statements, use of resources, data quality and best value performance plan.

#### **Effect on strategies and codes**

These are referred to in the individual reports

#### **Risk management implications**

These are referred to in the individual reports

#### **Finance and performance implications**

There are no financial implications.

#### **Legal and human rights implications**

There are no direct legal or human rights implications.

#### **Next steps**

Progress on implementing action plan will be reported to Corporate Management Team.

## **Recommendations**

The Annual Audit and Inspection Letter 2005/2006 is noted.

The Audit and Inspection Plan 2007/2008 is noted.

Background Papers: Final Accounts Working Papers – Room 33

Annual Audit and Inspection Letter

March 2007



# Annual Audit and Inspection Letter

**West Wiltshire District Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

### **Copies of this report**

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.

© Audit Commission 2007

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](http://www.audit-commission.gov.uk)

# Contents

<b>Our overall summary</b>	<b>4</b>
Action needed by the Council	4
<b>How is West Wiltshire District Council performing?</b>	<b>5</b>
The improvement since last year - our Direction of Travel report	5
Service inspections	9
<b>Financial management and value for money</b>	<b>10</b>
<b>Conclusion</b>	<b>12</b>
Availability of this letter	12

## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important part of any future decision regarding the potential rescoring of the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
  - We issued an unqualified opinion on the Council's 2005/06 financial statements. We also judged that the Council had adequate arrangements in place for achieving value for money.
  - The Council's score for use of resources has increased compared to last year and it is now assessed as performing well, consistently above minimum requirements.
  - The Council has made a number of improvements to its services. This is in the context of being the second lowest spending district council in England. The Council is improving in its priority areas. The IDeA's corporate peer review, undertaken in December 2006, commented that it was making great strides in improvement, had good plans for improvement and was now a vibrant, ambitious and focused council. Such a good focus on priorities supports better services.

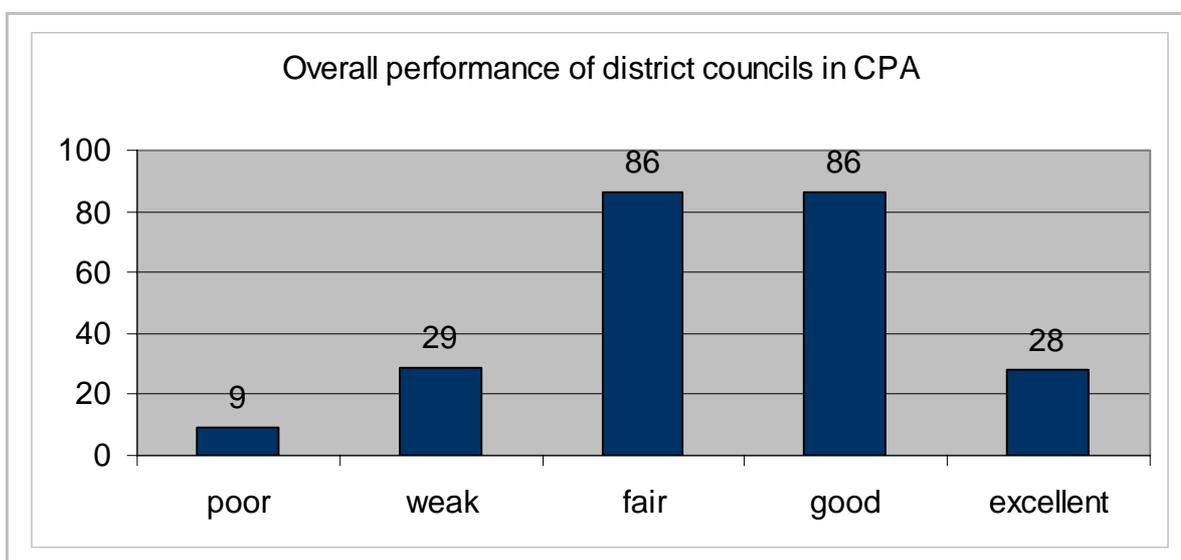
## Action needed by the Council

- 4 To maintain the improved use of resources score, the Council needs to continue to develop and embed its arrangements including the role and work of the audit committee and its asset management arrangements.

## How is West Wiltshire District Council performing?

- 5 West Wiltshire District Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the position across all district councils since 2004.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

## The improvement since last year - our Direction of Travel report

- 6 The Council continues to focus in on improvement areas which is working well - 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'). Set out below is a commentary on the Council's progress against its six 'spotlight' areas and on 'getting the job done'. The Council is now the second lowest spending district council in England at £95.60 per head. It undertook an IDeA peer assessment in December 2006 which concluded that the Council was improving in its priority areas, had good plans for improvement and was now a vibrant, ambitious and focused council. Such a good focus on priorities supports the delivery of better services.

## **Council outcomes against priorities ('Spotlight areas for improvement')**

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

### **Meeting housing need**

- 8 Performance is improving in relation to affordable homes completed or acquired per 1,000 dwellings and is above average compared to other councils. The Council's performance in this area has improved since 2004/05 with the supply of new affordable homes over the two years, ending 2005/06, achieving 200 units. It is also currently negotiating 1,500 affordable homes through the planning process.
- 9 The Council is achieving good outcomes in some areas. In 2005/06 it secured PFI provision for 400 new affordable homes to rent in the district. The planning application process is currently underway. This is supporting local people by providing affordable homes which meets their housing need.

### **Better access to recreation**

- 10 There is high satisfaction with the Council's leisure and recreation service. A fall in usage of its leisure centres in 2004/05 has not been sustained and it reviewed its leisure centre usage during the year. The results showed that numbers of users remain static.

### **Improve our market towns**

- 11 The Council is investing additional resources in its priority to improve its market towns. In 2005/06 it appointed a regeneration project manager to lead work in this area. It responded well to the Audit Commission's direction of travel assessment of 2004/05 and has now in place a range of good high level plans and frameworks which the Council hopes will attract investors to work in partnership with it to deliver outcomes for the community.
- 12 Performance on community safety is good and overall crime in the district remains low. Theft from motor vehicles, robberies and domestic burglaries is amongst the lowest 25 per cent performers nationally in 2005/06. However, there has been a very small increase in violence and sexual offences over the year.

### **Improving development control**

- 13 Since 2004/05 overall performance improvement is mixed in contributing to wider community outcomes. 2005/06 planning performance is in the worst 25 per cent on minor and other planning applications. Whilst these areas show deterioration since 2004/05, there has been some improvement in major planning application processing.

### **Recycling more waste**

- 14 Waste and kerbside collection is improving, but kerbside collection is below average when compared with other districts. The Council has invested in street scene during 2005/06 with additional staff deployed, new rotas and local campaigns promoting cleanliness. The Council is planning for a new joint contract for grounds maintenance with local partners to improve further cleanliness in the district.
- 15 During 2006 we carried out a brief review of the Council's commercial services which includes waste collection, street cleansing and grounds maintenance. These services are a corporate priority but performance had been poor in 2004/05. Our work identified considerable improvement in 2005/06 especially in the area of recycling, although street cleanliness was comparatively poor. The Council has clear ambitions to improve these services, although Council plans need to focus on service outcomes as well as on processes.

### **Putting customers first**

- 16 Improvements in some processes and plans have been made. For example, the Council's customer service unit is improving its call handling. On the first five days following annual billing of council tax, the percentage of lost calls has decreased from 45 per cent in 2005 to 19 per cent in 2006. This improvement means the Council is better meeting the needs of local people.
- 17 The Council has achieved level 2 of the local government equality standard and for 2006/07 equalities action plans are integrated into service plans. With the Wiltshire Improvement Partnership it is taking a more strategic look at the equalities and diversity agenda. It has improved its duty to promote race equality since 2004/05 and its performance in this area is above average. Performance in some areas, however, remains low. The percentage of staff from black minority ethnic (BME) communities as a ratio of the percentage of people of working age in the population from BME communities remains in the worst 25 per cent performance nationally. There has been some improvement in the percentage of staff employed with disabilities as a ratio of the percentage of people of working age with a disability but this again remains worst 25 per cent performance nationally.
- 18 There is a robust system of monitoring complaints. The Council introduced a new corporate complaints process in 2005. In the past year complaints have been routinely monitored by complaint co-ordinators. At their meetings issues are discussed and information shared between different services to assist learning. Issues are also discussed at bi-monthly service manager/CMT meetings. This shows that the Council is working to improve its 2004/05 assessment when 48 per cent of people surveyed were very/fairly dissatisfied with the way their complaint was handled. The impact of this stronger focus on monitoring complaints cannot be fully assessed until another survey is undertaken.

## **Council capacity and performance management ('getting the job done')**

- 19 The Council has a set of guiding principles for getting the job done. These are integrated into its Corporate Plan 2006-2011. Set out below is a commentary on the Council's progress against each of these principles.

### **Efficient and effective services**

- 20 As a result of last years direction of travel work the Council has set itself a target to have 60 per cent of its BVPIs above the median in 2006/07. Early indications show that performance is on target to meet this. Between 2004/05 and 2005/06 improvement was below average compared to all district councils on those PIs selected for analysis. On best 25 per cent performance the Council is performing below the average for all districts. This means, that whilst it has undertaken a full analysis of BVPI performance in 2005/06 and identified a number of BVPIs to target for improvement in 2006/07, it still has some way to go to achieve district average performance.

### **High quality communication with the public**

- 21 The Council is starting to support and engage under-represented groups, such as Polish migrant workers, but it is missing opportunities to better and more consistently communicate with stakeholders to improve clarity and better sell council achievements and services. The IDeA recently identified that the Council is not as clear as it could be on its priorities. This is important because to ensure achievement in its priority areas, the Council needs to have clarity between its different priorities and plans. It is working hard to improve communications through for example, branding, public information on services, an improved website, reception improvements and a new telephone system.

### **Sound financial management**

- 22 Financial reporting and management arrangements are good and internal control and value for money arrangements are improving. The Council has improved the strategic management of its property assets by introducing a new asset strategy and management plan 2006/09. This provides a framework for managing all council assets. It has also improved its performance on collecting council tax through better promotion and management arrangements. In 2004/05, performance in this area had been deteriorating and below average for councils nationally. In 2005/06, this has shown improvement and is now above average performance. However, the percentage of NNDR collected deteriorated in 2005/06 and is among the worst 25 per cent performance for councils nationally.

### **A focus on priorities**

- 23** The Council is working well with its partners to develop better performance management arrangements. It is developing new governance arrangements for partnership working in Wiltshire, focusing on local area agreements and local strategic partnerships. The first phase of this work is planned to be completed by the end of March 2007. The second phase to implement the proposals will take place later in 2007.
- 24** The Council does not make explicit what are not its priorities. Ranking priorities and matching them within available resources will help focus what can be realistically achieved.

### **Strong community leadership**

- 25** Political and managerial leadership is visible with good cross party political co-operation. The leadership is respected by stakeholders. The Council's new 2006 corporate strategy is aligned to the community strategy, with cross party support for its vision. Councillors are not fully engaged and involved in community leadership. Scrutiny is improving, but has yet to expand its role fully in challenging the Council's performance in delivering better outcomes for local people. Scrutiny has made its first use of call-in powers in respect of the housing PFI scheme, and proposals for redeveloping a multi-story car park in Trowbridge. Strong councillor challenge, engagement and scrutiny improve performance.

### **Accessible democratic decision making**

- 26** Access to and the profile of democratic decision making is improving. The Council has introduced several new ways of engaging local people and work is ongoing. It has increased awareness of voting and encouraging people to stand as councillors. It sends birthday cards to people at 18 years reminding them of their right to vote. It has arranged local events, such as the Chair of the Council's 'Big Thank You' initiative and has plans to increase awareness further in 2007/08. Navigation has improved on the Council's website to access agendas, reports and minutes of meetings. Improving access for all people is important and the Council has plans to further work with its partners in 2007/08 on equalities and diversity issues.

## **Service inspections**

- 27** An inspection of the Council's streetscene services is planned for later in 2007 and will be reported in next year's audit and inspection letter.

## Financial management and value for money

- 28 Your appointed auditor, Brian Bethell has reported separately to the Council's Audit Committee on 28 September 2006 those issues arising from our 2005/06 audit and has provided:
- an unqualified opinion on your 2005/06 accounts;
  - a conclusion on your vfm arrangements to say that these arrangements were adequate at 31 March 2006; and
  - a report on the 2006/07 Best Value Performance Plan confirming that the Plan has been audited.
- 29 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 30 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

<b>Element</b>	<b>2006 Assessment</b>	<b>2005 Assessment</b>
Financial reporting	3 out of 4	3 out of 4
Financial management	3 out of 4	2 out of 4
Financial standing	2 out of 4	2 out of 4
Internal control	3 out of 4	2 out of 4
Value for money	3 out of 4	2 out of 4
Overall assessment of the Audit Commission	3 out of 4	2 out of 4

*(Note: 1 = lowest, 4 = highest)*

- 31 The Council is assessed now as 'performing well' in relation to its use of resources. The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 32 Since last year the Council has strengthened its asset management arrangements through the approval of an up-dated asset management plan which clearly designates the corporate lead and identifies backlog maintenance. The required resources for maintenance requirements have been built into the budget.
- 33 Financial reporting is better. The Council provided evidence of consultation in relation to the annual report and the impact this had on its style and content.
- 34 Internal control arrangements are stronger through the establishment of an audit committee which is responsible for reviewing and approving the Statement on Internal Control. The Council has clarified overall Member responsibility for risk management which now rests with the audit committee.
- 35 The Council needs to further develop and embed arrangements for monitoring the effectiveness of recovery actions and the cost of not recovering debt. The Council should continue to develop its approach to the way risks are assessed in determining the appropriate level of balances.
- 36 There was a difference in the 2005/06 accounts between the debtors recorded in the local tax system and the local tax debtors recorded on the Council's main ledger record. Officers have not been able to identify an outstanding difference of £164,000. The difference appears to relate to adjustments to the debit not being recorded consistently on both systems. Officers have confirmed they have reconciled the cash collected.

## **Housing PFI**

- 37 In March 2006 the Council received approval from CLG for its PFI scheme that is intended to provide 400 affordable homes for rent across the District. The Council needs to:
  - continue to work with partners to identify sufficient land;
  - monitor the value for money of the scheme as it progresses to close;
  - ensure competition is maintained during the procurement stage;
  - control project management processes to ensure they remain robust; and
  - maintain sufficient knowledge within the Council to ensure it has capacity once the operational phase of the contract begins.

## Conclusion

- 38 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the audit committee on 28 June 2007.
- 39 The Council has taken a positive and constructive approach to our audit and inspection. I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 40 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

Melanie Watson  
Relationship Manager

March 2007

Audit and Inspection Plan

May 2007



# **Audit and Inspection Plan**

**West Wiltshire District Council**

**Audit 2007/2008**

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.

### **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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

### **Copies of this report**

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.

© Audit Commission 2007

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](http://www.audit-commission.gov.uk)

# Contents

<b>Introduction</b>	<b>4</b>
Responsibilities	4
<b>CPA and Inspection</b>	<b>5</b>
<b>Work under the Code of Audit Practice</b>	<b>7</b>
Financial statements	7
Use of resources	7
Data quality	8
Best Value Performance Plan	9
<b>Assessing risks</b>	<b>10</b>
<b>Work specified by the Audit Commission</b>	<b>11</b>
Whole of government accounts (WGA)	11
National Fraud Initiative	11
<b>Voluntary improvement work</b>	<b>12</b>
<b>Certification of grant claims and returns</b>	<b>13</b>
<b>The audit and inspection fee</b>	<b>14</b>
<b>Other information</b>	<b>15</b>
The audit and inspection team	15
Independence and objectivity	15
Quality of service	16
Planned outputs	16
<b>Appendix 1 – Initial risk assessment – use of resources</b>	<b>17</b>
<b>Appendix 2 – Audit and inspection fee</b>	<b>19</b>
Specific audit risk factors	20
Assumptions	20
Specific actions West Wiltshire District Council could take to reduce its audit and inspection fees	21
Process for agreeing any changes in audit fees	21
<b>Appendix 3 – Independence and objectivity</b>	<b>22</b>

## Introduction

- 1 This plan has been developed by the Relationship Manager and the appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
  - audit and inspection work specified by the Audit Commission for 2007/08;
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

## Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
  - the Audit Commission Act 1998;
  - the Local Government Act 1999 (best value inspection and audit); and
  - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
  - the financial statements (including the statement on internal control (SIC)); and
  - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

## CPA and Inspection

- 8 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. The Council was categorised as fair in its last CPA undertaken in 2004.
- 10 We have applied the principles set out in the CPA framework, *CPA – district council framework from 2006*, recognising the key strengths and areas for improvement in the Council's performance.
- 11 Strengths in the Council's performance include:
  - working with partners where the Council is developing performance management and governance arrangements with strategic partners;
  - high levels of satisfaction with leisure and recreation services; and
  - improvement in arrangements for engaging with local people.
- 12 Areas for improvement in the Council's performance include:
  - planning performance which is in the worst 25 per cent for minor and other applications, although there has been some improvement in major applications. The Council is considering how to improve processes in conjunction with discussions with the planning advisory service; and
  - street cleanliness where the Council is taking action by deploying additional staff with new rotas and is supporting local campaigns promoting cleanliness.
- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08, our work is set out as follows.

**Table 1 Summary of inspection activity**

<b>Inspection activity</b>	<b>Reason/impact</b>
Relationship Manager (RM) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the annual audit and inspection letter. The DoT assessment summary will be published on the Commission's website. In completing this work we will consider actions taken by the Council to improve processes for dealing with planning applications and improvements in street cleanliness.

## Work under the Code of Audit Practice

### Financial statements

- 14 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 15 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 16 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

### Use of resources

#### Value for money conclusion

- 17 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 18 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 19 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

#### Use of resources assessment

- 20 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 21 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

- 22 We will arrive at a score of 1 to 4, (with 1 being below minimum requirements and 4 being well above minimum requirements) based on underlying key lines of enquiry, for each of the following themes.

Theme	Description
Financial reporting	<ul style="list-style-type: none"> <li>• Preparation of financial statements.</li> <li>• External reporting.</li> </ul>
Financial management	<ul style="list-style-type: none"> <li>• Medium-term financial strategy.</li> <li>• Budget monitoring.</li> <li>• Asset management.</li> </ul>
Financial standing	<ul style="list-style-type: none"> <li>• Managing spending within available resources.</li> </ul>
Internal control	<ul style="list-style-type: none"> <li>• Risk management.</li> <li>• System of internal control.</li> <li>• Probity and propriety.</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• Achieving value for money.</li> <li>• Managing and improving value for money.</li> </ul>

- 23 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 24 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

## Data quality

- 25 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- stage 1 - management arrangements;
  - stage 2 - completeness check; and
  - stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 26 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 27 Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

## **Best Value Performance Plan**

- 28 We are required to carry out an audit of your Best Value Performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

## Assessing risks

- 29 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 30 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers;
  - liaison with internal audit; and
  - the results of other review agencies' work where relevant.
- 31 We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in November 2007.
- 32 For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 33 Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

## **Work specified by the Audit Commission**

### **Whole of government accounts (WGA)**

- 34 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

### **National Fraud Initiative**

- 35 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

## Voluntary improvement work

- 36 Under section 35 of the Audit Commission Act 1998, the Commission may undertake voluntary improvement work at the request of the audited body. We are not proposing to do any voluntary improvement work at West Wiltshire District Council during 2007/08.

## Certification of grant claims and returns

37 We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management's arrangements for the preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

## The audit and inspection fee

- 38 The framework for setting the fees for the Council is set out in the Audit Commission's work programme and fee scales document for 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 39 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £94,972 which compares with the actual fee of £94,322 for 2006/07.
- 40 Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions West Wiltshire District Council could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 41 In addition we estimate that we will charge approximately £28,616 for the certification of claims and returns.
- 42 As indicated in paragraphs 3 and 33, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 39 above. Any changes to the fee will be agreed with you.

## Other information

### The audit and inspection team

- 43 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

**Table 2**

Name	Contact details	Responsibilities
Melanie Watson Relationship Manager	<a href="mailto:m-watson@audit-commission.gov.uk">m-watson@audit-commission.gov.uk</a> 01179 018736	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Brian Bethell District Auditor	<a href="mailto:b-bethell@audit-commission.gov.uk">b-bethell@audit-commission.gov.uk</a> 01179 018736	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive Audit Committee.
Chris Hackett Audit Manager	<a href="mailto:c-hackett@audit-commission.gov.uk">c-hackett@audit-commission.gov.uk</a> 01179 018736	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Head of Finance (section 151 officer).
Melanie Watson Area Performance Lead	As above	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment and any inspection work.

### Independence and objectivity

- 44 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.

- 45 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

## Quality of service

- 46 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Relationship Manager or District Auditor in the first instance. Alternatively you may wish to contact the Head of Operations for the South West sub Region Bill Sanderson.
- 47 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission's website or on request.

## Planned outputs

- 48 Our reports will be discussed and agreed with the appropriate officers before being issued to the audit committee.

**Table 3**

Planned output	Indicative date
Opinion audit plan	November 2007
Data quality report	October 2008
Interim audit memorandum (may be incorporated into the final accounts memorandum depending on the range of issues arising)	June 2008
Annual governance report	September 2008
Opinion on the financial statements and value for money conclusion	September 2008
Final accounts memorandum (to the Head of Finance)	November 2008
Use of resources report	December 2008
Inspection outputs	TBC
Annual audit and inspection letter	TBC
BVPP report	December 2008

## Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by the audited body	Residual risk	Action in response to residual risk	Link to auditor's responsibilities
<p>There are further opportunities to better and more consistently communicate with stakeholders.</p> <p>Councillors not fully engaged in community leadership.</p>	<p>The Council is developing new arrangements for working with partners and new ways of engaging local people.</p>	<p>There is a risk services may not always meet the needs of stakeholders.</p>	<p>Monitor as part of our use of resources work.</p>	<p>VFM Opinion:</p> <ul style="list-style-type: none"> <li>ensuring that services meet the needs of users.</li> </ul>
<p>The Council does not make explicit what are not its priorities.</p>	<p>The Council has identified 'spotlight' areas for improvement and 'guiding principles for getting the job done'.</p>	<p>Risk of lack of focus.</p>	<p>Monitor as part of our use of resources work.</p>	<p>VFM opinion:</p> <ul style="list-style-type: none"> <li>setting reviewing and implementing objectives.</li> </ul>
<p>Scrutiny is improving but yet to expand fully its role.</p>	<p>Scrutiny is increasingly exercising call in powers for example in relation to the PFI scheme and redevelopment in Trowbridge.</p>	<p>Election may result in changes in personnel resulting in a more limited role.</p>	<p>Monitor as part of our use of resources work.</p>	<p>VFM opinion:</p> <ul style="list-style-type: none"> <li>setting reviewing and implementing objectives.</li> </ul>

<b>Significant risks identified</b>	<b>Mitigating action by the audited body</b>	<b>Residual risk</b>	<b>Action in response to residual risk</b>	<b>Link to auditor's responsibilities</b>
The Council is pursuing a PFI scheme to enable 400 new affordable houses for rent.	Project team established and advisors appointed.	Risks to accounts opinion and VFM.	Monitor the scheme during the year.	Opinion on the Accounts. VFM opinion. Use of Resources: <ul style="list-style-type: none"> <li>• Arrangements for ensuring financial standing.</li> </ul>
The Council has taken action on equalities achieving level 2 of the local government equality standard. However, the proportion of employees from minority ethnic groups and disabled people are far below the proportion of those groups in the local working age population and remain low compared to other councils.	Equalities action plans are integrated into service plans. The Wiltshire Improvement Partnership is considering a strategic approach to the equalities agenda.	There is a risk of limited progress against the equalities agenda.	Monitor as part of our use of resources work.	Use of resources: <ul style="list-style-type: none"> <li>• Ensuring that services meet the needs of users.</li> </ul>
NNDR collection rates are poor.	The Council has changed its collection arrangements including mounting a direct debit campaign, changed its limits for chasing debt and cash collection systems.	There is a risk of continuing low levels of collection.	Monitor as part of our use of resources work.	Use of Resources: <ul style="list-style-type: none"> <li>• Arrangements for ensuring financial standing.</li> </ul>

## Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

**Table 4**

<b>Audit area</b>	<b>Planned fee 2007/08 £</b>	<b>Actual fee 2006/07 £</b>
<b>Audit</b>		
Financial statements	58,985	53,338
Use of resources (including BVPP)	19,308	19,956
Data quality	8,793	9,178
Whole of government accounts	1,361	0
National Fraud Initiative	625	0
Total audit fee	89,072	82,472
<b>Inspection</b>		
Relationship management	2,950	2,870
Direction of Travel	2,950	2,870
Service inspection	0	6,110
Total inspection fee	5,900	11,850
Total audit and inspection fee	94,972	94,322
Certification of claims and returns	28,616	24,800
Voluntary improvement work	0	0

- 2 The Audit Commission scale fee for West Wiltshire District Council is £93,969. The audit fee proposed for 2007/08 of £89,072 is 5 per cent below the scale fee and is within the normal level of variation specified by the Commission.
- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 4 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 5 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.

## Specific audit risk factors

- 6 In setting the audit fee we have taken into account the following specific risk factors.
  - Your overall recent use of resources score of 3 which has enabled us to justify a fee below the scale fee.

## Assumptions

- 7 In setting the fee, we have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;
  - you will inform us of significant developments impacting on our audit;
  - internal audit meets the appropriate professional standards;
  - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements in sufficient detail that we can place reliance on it for the purposes of our audit;
  - good quality working papers and records will be provided to support the financial statements by June 2008;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 8 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 9 Changes to the plan will be agreed with you. These may be required if:
  - new residual audit risks emerge;
  - additional work is required of us by the Audit Commission or other regulators; and
  - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Specific actions West Wiltshire District Council could take to reduce its audit and inspection fees**

- 10 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions West Wiltshire District Council could take.
  - Further improve processes for preparing the accounts ensuring that there are no errors in the 2006/07 accounts presented for audit.

## **Process for agreeing any changes in audit fees**

- 11 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the Chief Executive and Head of Finance. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

## Appendix 3 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.