Annual Audit Letter

Vale of White Horse District Council

Audit 2010/11

audit commission

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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

I have not made any recommendations in this report.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I gave an unqualified opinion on your accounts on 29 September 2011.

This was the first year International Financial Reporting Standards had to be used. This meant the accounts were much longer than before with many more notes. Some of the figures for the 2009/10 accounts had to be redone in the new format.

This caused your officers some problems, and I had to do extra work on this year's figures which resulted in an additional fee.

When I reported to the Audit and Governance Committee I recommended that the accounts be checked before coming to me for my audit in 2011/12.

Value for money

I gave an unqualified conclusion on how you use your resources at the same time as I gave the opinion on your accounts.

Current and future challenges

You are facing a number of challenges over the next year

Economic downturn and pressure on the public sector	The economic downturn has increased demand for Council services, especially for benefits and housing assistance. The Council is also facing extra pressure from the impact of the Government spending review. The Council already makes extensive use of outsourcing and joint working to deliver services. It is actively looking at how it can become more efficient and effective but the opportunities to do this without affecting service delivery are reducing.
Joint arrangements / shared services	Joint working with South Oxfordshire District Council is well established at all levels in the council, and continues to deliver efficiencies in the way council services are provided. Proposed changes in the way benefits and business rates are to be administered in the coming years will place additional demands on both joint working and shared services.
Income streams	The Council's income from investments is much lower than before the economic downturn, and more changes to its income are expected as the new NNDR distribution starts. The Council has built this into its finance plans. As other pressures occur, good financial management will be vital. Balancing this against e.g. other demands such as producing accurate budgetary and financial statements will place pressures on all departments.
Treasury management	The Council had £1m invested in Icelandic banks when they collapsed. At 31 March 2011, 94.5% of the original advance and interest was estimated to be recoverable and the council showed £776k as a long term investment in its balance sheet. Latest guidance is that 98% of the investment may be recovered eventually, but this will happen over a number of years.
IFRS	The accounts under IFRS are more complex and took much longer to prepare. The Council struggled with this and as a result incurred additional audit fees. Lessons learned this year need to be used to prevent problems happening again.

Financial statements and annual governance statement

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

Overall conclusion from the audit

I gave an unqualified opinion on your accounts on 29 September 2011.

The accounts were more complicated this year, and a lot of work was needed to prepare them. Your officers struggled to do this by 30 June, the deadline for the accounts to be signed as ready for audit.

This meant there were more mistakes than expected and extra work was needed before I could give my opinion. I reported what I found during my audit to the Audit and Governance Committee on 28 September before the accounts were formally adopted and signed. I recommended quality control procedures be improved for 2011/12 accounts, which Members accepted.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements during my audit.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I did this by looking at your performance in the areas set by the Audit Commission and reported what I found as the value for money (VFM) conclusion.

I looked at how you manage your resources to see if this was economic, efficient and effective in the two areas set by the Audit Commission. I concluded the Council did this in a way that gives value for money.

What I found in each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
1. Financial resilience **The organisation has proper arrangements in place to secure financial resilience.** Focus for 2010/11: Are there good systems and processes in place to manage finances so that the Council can deliver its services in future?	The Council has delivered savings over a number of years, and the way it does this is part of everyday business. Its financial plans for the future are realistic and achievable
2. Securing economy efficiency and effectiveness **The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** Focus for 2010/11: Is the Council making savings and efficiencies so that it can deliver the services it thinks are important with less money?	The Council has looked at most of its services and, by joint working with South Oxfordshire District Council and contracting out some services is doing more for less. It has plans to continue doing this.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Strategic Director, Finance. I have asked that copies of this letter be sent to all Members by the end of November. I will present this letter at the Audit and Governance Committee on 21 December 2011.

Further detailed findings, conclusions and recommendations in the areas covered by my audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit plan	December 2010
Certification of Claims and Returns	March 2011
Opinion on the financial statements and closure of the audit	29 September 2011
Value for money conclusion	29 September 2011
Whole of Government accounts assurance statement	29 September 2011
Annual Audit Letter	November 2011

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

Maria Grindley

District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	£108,665	£108,665	0
additional work required to give my opinion	£1,540	0	£1,540
Total	**£110,205**	**£108,665**	**£1,540**

The audit scale fee of £108,665 included the first year costs of the introduction of IFRS. These costs were paid by the Commission and the Authority received a rebate of £6,520 (6%) in April 2010.

The Commission also gave a rebate of 1.5% of the scale fee for district councils. Based on your audit fee of £108,665, which was set at the scale fee, this resulted in a rebate of £1,630 in January 2011.

The additional work required was discussed with Members when I presented my Annual Governance Report.

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion.

I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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November 2011