

Annual Audit and Inspection Letter

March 2008



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South Oxfordshire District Council

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

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.

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Key messages

- 1 The Council continues to perform well, and this was a year of continued improvement where the Council was assessed as Excellent under the CPA process in October 2007. Its partnership working was identified as a strength, and its partnership with Vale of White Horse is an innovative approach to providing shared services which is already delivering improvements. Problems with the implementation of the revised contract with the private provider have led to a dip in performance and internal control, which is being addressed by an agreed action plan.
- 2 There are however still areas where performance can improve, and these were reflected in the use of resources scored assessment finalised in September 2007. These are particularly around developing and strengthening the role of the Audit and Governance Committee.
- 3 Problems with the audit of the financial statements had a negative impact on the use of resources score, and also led to delays in giving the audit opinion. Actions have been taken to ensure this does not recur.

Action needed by the Council

- 4 The Council needs to continue to address those areas where improvement can be achieved, and ensure the outcomes of the recovery plan with Capita deliver the anticipated improvements.
- 5 It also needs to continue to work with Members of the Audit and Governance Committee to develop both their understanding of their roles and responsibilities, and how they can contribute to monitoring and improving governance, risk management and internal control.
- 6 Looking ahead, the Council and its' partners need to work closely over the next year to make sure they are ready to meet the expectations of the new Comprehensive Area Assessment (CAA) performance assessment framework.

Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 8 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 10 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act. During the year the Council had a CPA re-categorisation inspection, but no service inspections.
- 12 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is South Oxfordshire District Council performing?

- 13 South Oxfordshire District Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. This applied to South Oxfordshire District Council, and they were assessed as 'Excellent' in a reassessment in October 2007. This is a great achievement and the following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

Overall summary

- 14 The Council delivers good services compared with other councils and overall satisfaction with the Council and its services is amongst the best 25 per cent nationally. Based on the Audit Commission's basket of key national best value performance indicators (BVPIs), the Council improved performance in 55 per cent of indicators over the year to 31 March 2007. Although this is below the average range of improvement for district councils, the Council's improvement trend over the last three years is much stronger, with 69 per cent of BVPIs improved against the average range of 55 per cent to 57 per cent. Furthermore, at the end of March 2007, 40 per cent of the Council's PIs were at levels of the best performing councils, against the average of 33 per cent. Despite the positive trend of improvement, there is scope to improve performance further, particularly in those service areas that are directly experienced by customers, such as dealing with planning applications and the accuracy of housing benefit processing, where performance slipped during the year and is below average compared to other councils.
- 15 More detailed analysis of the Council's performance in delivering its outward facing objectives and national priorities is set out below under the relevant corporate objective or within our assessment of contributions to wider community outcomes.

Housing: 'to meet people's housing needs'

- 16 The Council is increasing the supply of housing to those who need it most. It completed 95 new homes during 2006/07 and is on target to achieve a further 170 by March 2008. The Council also returned more private sector dwellings to occupation and won a national award for its work in this area.
- 17 It continued to prevent and address homelessness effectively. More homeless cases were resolved through housing advice, there were no cases of repeat homelessness, and no families at all were housed in bed and breakfast accommodation during the year. It also continued to help people help themselves to find accommodation by assisting 101 households to secure shorthold tenancies through rent deposit schemes, compared to 68 in the previous year.

- 18 However, the Council's performance in dealing with housing benefits deteriorated during 2006/07. It was faster at assessing housing benefit application 'change of circumstances' but it took longer to process new benefit claims and accuracy of benefits processing remained amongst the worst performing councils for the second consecutive year. Performance in dealing with overpayments also fell from above to below average. The Council anticipated some dip in performance following the letting of the new contract in July 2006, and conversion of the revenues and benefits service to a new system in September 2007 and it has been working with the contractor since to bring performance back on track. Data up to December 2007 shows some improvement, and the Council may meet most of its targets for 2007/08. The challenge for the Council will be to ensure that Capita delivers the service improvements that it expected from outsourcing the service.

Environment: 'to maintain and enhance the environment'

- 19 Overall, the Council's environment services maintained strong performance. It's combined recycling and composting rate was above average, increasing from 27.6 per cent to 33.3 per cent. Composting, in particular, increased sharply as a result of the council's 'opt-in' green waste scheme - the number of households participating in the scheme increased during 2006/07 from 6,000 to 10,805 and the composting rate more than doubled in the year to 6.1 per cent. Data up to the end of December 2007 shows that recycling has increased further to 39.5 per cent. All of the Council's residents continue to be served by kerbside collections.
- 20 The Council's performance in managing cleanliness and the street scene in the district was also strong. It increased investment in street cleaning to provide additional street washes in rural areas and increased litter picking around perimeter roads. The amount of litter, graffiti and flyposting all fell and achieved levels of the best performing councils.
- 21 The Council continued to exceed government targets for dealing with planning applications although during 2006/07 it took longer to process 'minor' and 'other' applications and performance was below average compared to other councils. Data up to the end of December 2007 shows steady improvement, although it is not on target to achieve all year end targets. Few planning decisions were overturned during the year and the quality of the Council's planning checklist remained amongst the best.

Crime: 'to reduce crime and fear of crime'

- 22 The Council is working in the community to reduce crime and fear of crime. It increased the number of neighbourhood and country watch schemes in the district and completed its programme of CCTV installation in the districts' major towns. It is also involved in the 'Nightsafe' campaign aimed at tackling alcohol related crime and antisocial behaviour. These initiatives have contributed to residents' improved perceptions about crime and fear and crime – in 2006/07 more people felt safe after dark and during the daytime than they did in 2004/05.

- 23 Although overall crime levels reduced by 10 per cent during 2006/07, crime as measured by the British Crime Survey (BCS) indicators increased by 1.39 per cent against the 2003/04 baseline. Cases of violence against the person, vehicle crime and domestic burglaries were all above average compared to similar councils. Data up to February 2008 suggests that BCS indicator crime has fallen since, but predicts that the CDRP will not achieve the government target to reduce crime by 15 per cent against the 2003/04 baseline by March 2008 and its own local crime reduction targets.

Health: 'to improve health and well-being'

- 24 The Council has continued to make positive progress towards this objective. It reduced the number of council enforced health and safety premises categorised as 'high risk' and exceeded targets for increasing the number of premises achieving food hygiene and healthy eating awards. It continued to improve facilities at its leisure centres and encouraged more people to use them. More people of all ages took up physical activity through increased participation in the Oxfordshire Youth Games, holiday activity schemes and GP referrals to activity programmes. Partnership work with its LSP, the South Oxfordshire Partnership, to extend the reach of the smoking advisory service into the districts' leisure centres, helped 676 people in the district to quit smoking.

Wider community outcomes and access to services

- 25 The Council is a strong community leader and works effectively with its partners to lead and deliver its ambitions for the community. During the year, the Council continued to improve facilities for local people through the redevelopment of Didcot town centre, completing the town square and opening a new cinema complex. Its new arts centre is expected to open in summer 2008. It also continued to support a range of community projects and activities through its grant scheme. During 2006/07 it allocated over £1 million in capital grants to support 20 local projects. This included £200k towards a new community building in Wallingford.
- 26 The Council works effectively with its Local Strategic Partners, the South Oxfordshire Partnership (SOP). During 2006/07 the partnership achieved 63 per cent of its Community Strategy targets and partly achieved a further 25 per cent. The Council is also looking more broadly and long term at the future of the county and sub-region, for example, it has led on the development of the Oxfordshire Local Area Agreement (LAA) stretch targets for housing and environment issues.
- 27 The Council has made good progress with equalities. It has achieved Level 2 of the Local Government Equality Standard, in line with 47 per cent of other districts and its measures to promote race equality are now amongst the best performing councils.

- 28 The Council has continued to improve its approach to identifying barriers to accessing its services. It completed 11 Equality Impact assessments (EIA's) during the year and can demonstrate improvements to services as a result. For example, it appointed a part time disability community sport coach to develop alternative inclusive sporting opportunities. It has continued to identify the needs of the BME community through the Embrace Partnership and set up a Disability Equality Group to provide feedback on EIA's and the council's services more widely. All service areas now monitor usage by ethnicity, disability and gender which means that the Council is now able to examine whether use among these groups is in line with the population as a whole or whether there are any potential barriers to access. Mandatory training for all staff during the year has further embedded equalities by increasing awareness of access issues, and improved understanding of legislation and the Council's responsibilities.
- 29 The Council continued to make effective use of IT to improve access to services and made a wider range of services available through its website. During the year, it introduced the facility to make building control and job applications online, order green waste bins and bulky collections and increased the number of council meetings that are web-cast - all major meetings can now be viewed online. All of the council's transactions will be available to the public electronically by March 2008.

Value for money

- 30 The Council manages its resources well with a strong sense of value for money. Its costs are low compared to other councils, and for the third successive year, it made no increase to the council tax for 2007/08. Overall, the comparative costs for some of its services increased relative to others, but where costs are above average, they were in line with the Council's priorities and matched by good performance and outcomes. Some services are continuing to deliver high performance and achieve high satisfaction at below average unit costs.
- 31 The Council has continued to seek out ways to improve value for money through effective partnership and procurement. The shared financial service arrangement with the Vale of White Horse, for example, is designed to provide a more efficient and cost effective means of delivering financial services such as internal audit, and is already delivering improvements. However, problems with the implementation of the contract with the external provider, Capita, mean that this is not yet delivering the service improvements to the revenue and benefits service that it promised. However, the Council's innovation in setting up the contract with Capita, linked to the requirement to deliver top quartile performance, provides a strong basis for future improvement.

How much progress is being made to implement improvement plans to sustain future improvement?

- 32** The Council is achieving its key objectives and milestones. Its recent Comprehensive Performance Assessment found that it was an 'excellent' Council that was delivering on its ambitions and achieving good quality service delivery in most priority areas. The CPA assessment was also positive about the robustness of the Council's plans, the performance management frameworks that underpin them and its approach to risk and project management.
- 33** The Council has good capacity to deliver its ambitions. The CPA found that managerial and political leadership is strong, staff are well managed and focused on delivery, and there is a robust approach to workforce planning, recruitment and development. The Council enhances its capacity through innovative commissioning and effective management of partnerships and this is supported by strong financial management and capacity.
- 34** Performance indicators relating to staff capacity and diversity of the workforce show strong performance. Six out of eight of the Audit Commission's basket of indicators in this area are in the best 25 per cent of councils, including levels of sickness absence, staff with disabilities and from BME communities.

The audit of the accounts and value for money

- 35 As your appointed auditor I have reported separately to the Audit and Governance Committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 10 October 2007 (after the due date of 30 September 2007); and
 - my report on the best value performance plan confirming that the Plan has been audited.

Use of Resources

- 36 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).
- 37 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

Element	Assessment
Financial reporting	1 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 38** The 2007 use of resources assessment was carried out in June and July 2007, and updated following the audit of financial statements in September 2007. This was based on the 2006/07 financial year, but where decisions had been taken to deliver improvements before 31 March 2007, we took the impact of these into account at the time we carried out the assessments.
- 39** Whilst the Council had taken note of the previous assessment reported in March 2007, there had not been time for any improvements it planned to deliver. Our initial assessment therefore confirmed that improvements were needed in the following areas.
- Governance arrangements within partnerships.
 - The role of the audit committee in delivering robust challenge on governance and internal control.
 - Member understanding of the sources of assurance supporting the governance statements.
 - Carrying out pro-active fraud audit work.
- 40** As reported in our Annual Governance report, issued in September 2007 and finalised after the accounts were signed on 10 October 2007, there were significant errors within the financial statements as presented for audit. This was combined with staffing pressures within the finance department and the audit was not completed until after the due date of 30 September, despite the best efforts of the officers involved.
- 41** In response to recommendations made at that time, staffing has been increased within the finance department, and the Audit and Governance Committee is monitoring progress with the closedown and account preparation processes.
- 42** The impact on the updated use of resources assessment in October was significant, with financial reporting only being scored as 1. This resulted in the overall score for the Council reducing to 2.
- 43** As part of our value for money conclusion work, we looked at progress the Council had made in strengthening its strategic approach to data quality and noted a number of actions to improve its systems and processes to secure good quality data. In particular we noted:
- the development of a data quality policy and Performance Management Handbook that formalises its expectations and requirements for collecting, recording, analysing and reporting performance data;
 - the plans to identify instances of external data sharing and to develop a data sharing policy during the current financial year. This will address the recommendation we made last year for the Council to specify standards for the quality of data it shares with other organisations; and
 - that there are a number of processes to ensure data is 'right first time' and there are plans to include checking of PIs as part of the audit process on a risk basis.

Looking ahead

- 44 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 45 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 46 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 47 This letter has been discussed and agreed with the Chief Executive and Strategic Director. A copy of the letter will be presented at the Audit and Governance Committee on 26 June 2008. Copies need to be provided to all Council members.
- 48 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September/October 2007
Opinion on financial statements	October 2007
Value for money conclusion	October 2007
Revised Corporate Performance Assessment Report	October 2007
Annual audit and inspection letter	March 2008

- 49 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Maria Grindley
Relationship Manager

March 2008