

## Auditor's report on the financial statements

- 17 We are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
  - value for money conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Financial statements

- 18 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks may become apparent after we have completed our 2007/08 audit. A separate plan for the audit of the financial statements will be issued in December 2008.
- 19 At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:
- although the quality of working papers produced to support the financial statements has continued to improve over recent years there remains scope for further improvement;
  - our 2006/07 work found a number of inconsistencies in the financial statements which may indicate a lack of supervisory review; and
  - the need to publish an annual report or similar document, which includes summary financial information, designed to be understandable and informative and accessible to members of the public.
- 20 The adoption of International Financial Reporting Standards (IFRS) is not required by most local government bodies in 2008/09. However, there is a requirement to prepare whole of government accounts (WGA) consolidation packs on the basis of IFRS.

### Value for money conclusion

- 21 In reaching our conclusion, we will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 22 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment are outlined in Appendix 3.

**Table 2      Key risks identified**

Key risks identified	Planned work to address the risk
<p><i>Arrangements to manage and improve value for money</i> - the Council's costs remain high and a track record in strong improvement and impact has not yet been established;</p>	<p>Continue with our programme of review of poorly performing services and the impact of improvement, in discussion with the Council.</p>
<p><i>Arrangements to manage its significant business risks</i> - the Council needs to ensure its risk management arrangements are fully embedded at all levels within the organisation.</p>	<p>Review of evidence to support use of resources assessment and value for money conclusion</p>

## CPA and inspection

- 27 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 28 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.
- 29 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as 1 star.
- 30 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.
- 31 Strengths in the Council's performance include:
  - demonstrating some service improvements; and
  - progressing its agreed local priorities, reflecting a mix of achievements and investments.
- 32 Areas for improvement in the Council's performance include:
  - develop a firmer approach to value for money, and to its quality of services, when compared with other councils and ensure it is better integrated into its performance management systems; and
  - develop a more ambitious approach to the medium and longer-term future of the city of Oxford, and ensure that it is equally firmly focused on the immediate priorities and needs of its citizens;
- 33 On the basis of the planning process, I have identified where inspection activity will be focused for 2008/09 as follows.

**Table 3 Summary of inspection activity**

Inspection activity	Reason/impact
Comprehensive Area Assessment Lead (CAAL)	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.

## 14 Audit and Inspection Plan | CPA and inspection

Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, 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.
Regeneration is a significant issue for the Council, given the diversity of the city and the Council's role in place-shaping market intervention to improve the quality of life. This brings risks, inherent in the leadership of major capital programmes and complex partnerships. The inspection will test the impact of the Council's restructure and the strength of its ambition and priorities, by assessing their impact.	Inspections are a driver for the improvement of local services. The Audit Commission carries out service inspections where it considers that there is a need for improvement, primarily in 2, 1 and no star councils. The approach is consistent across the three service blocks of housing, environment and culture.

### Advice and Assistance

- 34 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public authority where this is requested.
- 35 At this stage the Council has not requested that we undertake any advice and assistance work for 2008/09. If you wish the Commission to provide additional services under these powers, please contact a member of the team as detailed in Table 4 below.

## **Appendix 1 – Work under the Code of Audit Practice**

### **Financial statements**

- 40 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).
- 41 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 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 42 We are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

### **Value for money conclusion**

- 43 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 the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at our conclusion.
- 44 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.
- 45 We will also follow up our audit work from previous years to assess progress in implementing agreed recommendations.

### **Use of resources assessment**

- 46 The approach to the use of resources assessment for 2008/09 has been subject to a consultation process which ended in February 2008. The Commission is considering the responses to the consultation and will finalise the assessment framework after April 2008. We will provide further information on the work needed for the assessment once the approach has been confirmed.

## **Data quality**

- 47 We are required to undertake audit work in relation to data quality which will be directly linked to the VFM conclusion and the use of resources assessment.
- 48 The approach to data quality is being considered as part of the use of resources framework and we will provide further information on the work needed once the framework has been finalised. As part of the approach, the Audit Commission will specify work on housing and council tax benefit performance indicators.

## **Whole of government accounts**

- 49 We are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

## **National Fraud Initiative**

- 50 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

## **Certification of grant claims and returns**

- 51 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 preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.