

Oxfordshire County Council

Review of Financial Management – Final Report

August 2004

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1 Executive Summary

Introduction

- 1.1 In May 2004 the Council commissioned RSM Robson Rhodes to undertake a review of its financial management arrangements. Our review has been based on the Financial Management Model recently developed by the Chartered Institute of Public Finance and Accountancy. Using the model, we have examined the key elements of the Council's financial management arrangements and compared these arrangements with good practice. Our work has involved:
- interviews with officers, members and the Council's previous external auditor;
 - workshops with Finance and non-finance staff from across the Council; and
 - a review of key documents.
- 1.2 The financial management arrangements we reviewed were as follows:
- financial planning and budget management;
 - financial systems and control;
 - the internal audit function;
 - audit committee arrangements; and
 - the finance function.
- 1.3 As a result of reviewing these specific areas, we have also been able to form an overall view of the Council's financial management arrangements.
- 1.4 This report sets out the results of our work.

Background

- 1.5 The Council has set itself the aim of becoming an 'excellent' authority (as scored by the Audit Commission's Comprehensive Performance Assessment [CPA]) by 2006. To help achieve this aim, the Council has also set itself a challenging target of achieving a maximum 'use of resources' score by 2006 (the Council currently has a score of three out of four under the existing scoring system).
- 1.6 From a review of CPA scores, the Audit Commission has identified good financial management as a distinguishing feature of better performing authorities, noting it to be a core part of management and a fundamental success factor in achieving organisational objectives.
- 1.7 Financial management means more than the financial control process of monitoring and recording income and expenditure. It involves effective planning to meet new challenges, knowing how money is spent, whether it is good value and how extra investment can best be used to improve services.

- 1.8 In recognition that financial management in modern organisations has expanded beyond simply controlling expenditure and accounting for financial transactions, and is key to supporting improved performance, the Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a model of generic good practice statements against which public bodies can test the effectiveness of their financial management arrangements.
- 1.9 This model is to form the basis for how auditors will assess financial management in CPAs from 2005. This approach is more demanding. It places a much stronger focus on value for money, takes a much broader view and with more qualitative judgements than the previous auditor-scored judgments. As a result authorities are likely to find it harder to achieve high scores.

Summary of our findings

- 1.10 We found the Council's financial management arrangements to be below the standards set out in the CIPFA model. We found a number of serious weaknesses in certain areas (for example, in financial control and in the effectiveness of the internal audit function), and have concluded that the Council's financial management arrangements need to be materially strengthened. So far as internal audit is concerned, this strengthening is likely to require additional resources to be committed to the function. For the remainder, in our view it is too early to conclude whether the additional resources the Council has invested in its Finance function during 2004/05 will have the required effect. The Council should keep its level of investment in its Finance function under regular review.
- 1.11 The major weaknesses identified are in the *foundations* of good financial management, namely sound systems of internal financial control. These weaknesses do not help the Council's budgetary control and financial planning arrangements, which in turn impact on the Council's financial standing and its ability to achieve effective use of resources.
- 1.12 Table 1 (at the end of this Executive Summary) summarises the results of our assessment of the Council's financial management arrangements compared to best practice standards set out in the CIPFA Model (see Appendix B for details of the model), categorised into the likely headings to be used by the Audit Commission from 2005. The key messages are as set out below.

Financial Planning and Management

- There is clear leadership from the Leader of the Council and key senior officers. The Council has a financial strategy supported by a Medium Term Financial Plan (MTFP), the Council's growth plans are linked to Council priorities and it is developing its planning processes.
- The key challenge is for the Council is to fully integrate the corporate plan with financial planning, develop a robust savings plan to deliver the targets in the MTFP and align Council resources (not just growth in resources) with its objectives and priorities.

Financial Systems and Controls

- All Councils are required to produce a Statement on Internal Control (SIC) to be published with their accounts. The purpose of this statement is for the Council to report on the adequacy of its governance, risk and internal control framework and where weaknesses are identified, what it is doing to address them. The Council recognises its weaknesses and is

developing a series of action plans to support the draft statement it has produced. We suggest incorporating agreed recommendations from this report into that process.

- Central to this process will be determining a vision for SAP (the Council's main financial system), which has been the subject of a separate piece of work by consultants, ensuring that it meets the Council's information and reporting needs, and that business processes are documented and into which are built sound internal financial controls.

Financial Standing

- Financial standing is essentially the consequence of the success or otherwise of the above processes. The Council's Medium Term Financial Plan includes an increase in reserves of 2% of budget by 2006/07. Key to the Council's success will be directorates managing their services and increased demands within budget through the delivery of efficiency/savings. For this to happen the Council needs to develop detailed robust savings plans with clear accountability, and which are separately monitored.
- The Audit Commission has recently published a national report on school finances which identifies the need to improve the financial management framework not just of schools, but also Councils' own frameworks for schools. The Council is considering how best to achieve this and to date has made some changes to the way in which it provides financial advice and support to schools.

Value for Money

- Value for money is an outcome not only of the above processes but also of wider business processes and the extent to which it is embedded within organisational culture. Most authorities are likely to struggle to achieve a good score against this element of the model. Oxfordshire County Council is no exception. The Council has produced a maximising resources strategy underpinned by a procurement strategy. It is also developing an efficiency/ savings strategy with detailed action plans.
- The key improvements for the Council to achieve are the integration of financial and performance management to establish a clear relationship between what the Council spends and what this spend delivers in terms of activity and outcomes, and to establish a culture where value for money becomes everyone's responsibility.

Conclusions

1.13 The Council's financial management arrangements need to be materially strengthened in order to:

- ensure basic stewardship and probity is being achieved;
- support the delivery of priorities and objectives;
- ensure resources are used economically, efficiently and effectively; and
- reach the target the Council has set itself of achieving a maximum 'use of resources' score by 2006.

1.14 There is a potential for significant improvement if the Council can effectively challenge the way it does things, implement a corporate approach and effectively project manage the action plan resulting from our work to address the issues raised.

1.15 The issues arising from our work can be summarised into eight key messages:

- **Making sure the infrastructure to support devolved financial management is robust** – expanding the financial regulations to include key principles and processes, underpinned by clear guidance and procedures, agreed scheme of financial delegation for all directorates, good financial training and effective financial information systems which meet the business and reporting requirements of users.
- **Integrating performance management and financial management** so that resources, including capital, are linked directly to the Council's priorities and objectives thus enabling members and senior managers to deploy available resources to achieve the desired improvements in performance and value for money.
- **Developing the Medium Term Financial Plan so that it is based on robust medium term projections and risk assessments**, underpinned by agreed and understood financial management policies. A realistic, achievable and sustainable savings plan also needs to be developed, monitored separately and subject to regular risk assessment.
- **Effective risk management and internal control arrangements** such that the consideration of risk and how it is managed becomes part of the culture of the Council, establishing an effective internal audit function and effective scrutiny by members of the governance, risk management and internal control framework, and most importantly addressing the fundamental weaknesses in internal financial controls in the Council's main financial systems.
- **Putting in place corporate guidelines** underpinned by robust business processes and procedures into which are built sound financial controls.
- **Provision of good quality information** for effective decision making, which is timely, relevant and understandable and enables effective challenge by members, a key part of which is the effective implementation of SAP to meet the Council's information and reporting requirements.
- **Ensuring the Finance function has the capacity and capability** to provide effective stewardship of public finances and to enable the transformation of the Council into a business-outcome focused organisation.
- **Effective project and change management arrangements** to turn strategy into action once a decision has been taken involving the right resources, at the right time, and in the right way.

The way forward

- 1.16 We have provided in the appendices to this report a variety of material which we hope will be of value to the Council as it seeks to address the issues we have raised. Each Section of this report includes detailed recommendations to address the issues we have raised.
- 1.17 We suggest that the agreed recommendations be incorporated into the actions plans supporting the Statement on Internal Control (SIC) in order to create one programme for improvement, which can be monitored as part of the SIC process.
- 1.18 The Council is currently developing an implementation plan to address the issues we have raised.

Table 1: Adequacy of the Council's Financial Management Arrangements

Area	Strengths	Areas for Improvement	Risks to the Council if issues not addressed
Overall	Below CIPFA standard overall, with scope for significant improvement if the Council: <ul style="list-style-type: none"> effectively challenges current ways of working; establishes a common corporate approach; and effectively project manages the implementation of robust business processes with sound internal financial controls 		
Financial Planning and Management	<ul style="list-style-type: none"> The Council is developing its planning processes A clear Financial Strategy is in place A Medium Term Financial Plan is in place Capital and revenue growth plans are linked to Council priorities 	Below CIPFA Standard <ul style="list-style-type: none"> Revenue budgets and the capital programme are not directly linked to Council priorities and objectives The Medium Term Financial Plan is not based on robust medium term projections and risk assessments Forward planning and service planning is not fully integrated with the processes of forward financial planning and budget setting Budget setting is not based on a review of total resource availability and usage 	<ul style="list-style-type: none"> Failure to meet Council priorities and objectives Failure to effectively contribute to the delivery of the Community Strategy Failure to meet PSA and other performance targets Poor value for money Weakens overall financial standing
Financial Systems and Controls	<ul style="list-style-type: none"> There is recognition of internal financial control weaknesses There has been a strengthening of the audit committee arrangements in terms of the Best Value and Audit Committee's terms of reference, importance of and time devoted to audit matters 	Seriously below CIPFA standard There is a need to: <ul style="list-style-type: none"> Strengthen the Council's devolved financial management arrangements to ensure: <ul style="list-style-type: none"> Effective budget monitoring and control Good quality financial information A corporate approach Address the lack of adequate internal financial controls in 8 of the 10 Council's main financial systems Put in place an effective internal audit function Put in place robust scrutiny arrangements of the Council's risk and internal control framework by members. 	<ul style="list-style-type: none"> Poor information and systems to support effective financial planning and management Misappropriation of funds or assets Unauthorised or inappropriate use of public funds or assets Statement of Accounts Qualified
Financial Standing	<ul style="list-style-type: none"> A Financial Strategy is in place Medium Term Financial Plan is aimed at increasing reserves to 2% of budget by 2006/07 The financial management framework for schools is being improved in view of recent national Audit Commission report on school finances 	Below CIPFA Standard There is a need to: <ul style="list-style-type: none"> Increase the level of reserves Improve the financial management of school finances Support the savings targets which are in place for the next 5 years with detailed and robust action plans 	<ul style="list-style-type: none"> Public interest report from external auditor Inability to deal with risks and contingencies Inability to direct funds in short term to key areas
Value for Money	<ul style="list-style-type: none"> Maximising resources strategy in place, but will take time to deliver Procurement strategy in place The Council is Developing an efficiency / savings strategy 	Below CIPFA standard There is a need to: <ul style="list-style-type: none"> Place greater emphasis on output/outcomes required Clarify the relationship between cost, activity and outcomes Strengthen performance in some areas in relation to efficiency and quality indicators in terms of both meeting targets and in comparison to top quartile performance Ensure that Value for Money needs becomes part of the culture and the responsibility of all staff 	<ul style="list-style-type: none"> Poor value for money Inability to demonstrate improved cost-effectiveness

2 Background and Scope of Review

Background

- 2.1 Oxfordshire County Council (the Council) is a large local authority. In 2004 it employs over 18,000 people and will spend over £700m to provide services to the County's 622,000 residents. The Council is committed to securing continuous improvements to its services. In September 2001 it published 'Raising our Performance', a four-year strategic action plan for improvement, which has since been re-visited and updated. The latest version of the document includes an improvement plan intended to ensure that the Council moves from a 'fair' to 'excellent' Comprehensive Performance Assessment (CPA) rating by 2005/6.
- 2.2 After a considerable period of time without a political administration, the Council (as part of the revised political arrangements for local government) formed an Executive at the end of 2001. It has also made significant changes to its organisational structure to improve its effectiveness. In 2003, the Council implemented a wide-ranging reorganisation, creating five corporate director posts, each supported by a number of heads of service. As part of this reorganisation, a Resources Directorate was created, which includes the Finance function.
- 2.3 Financial management within the Council is highly devolved, with most financial administration and accountancy support to managers devolved to directorates. The Council has set itself the target of achieving the highest level of 'use of resources' score under the Audit Commission's Corporate Performance Assessment (CPA) by 2006. Given the Council's ambitions, and the changes and investments it has made, it is now anxious to ensure that it secures the benefits of excellent financial management. Although the Council has progressively tightened its financial management arrangements over recent years, it believes that there is a need to further tighten these arrangements if it is to achieve the target of a maximum 'use of resources' score by 2006.
- 2.4 There is now also a mandatory requirement under Regulation 4 of the Accounts and Audit Regulations (England) 2003 that requires Councils to publish a statement on internal control with their financial statements. The statement requires the Council to provide assurance on the adequacy of the Council's risk management and internal control framework.
- 2.5 Accordingly, the Council wants to ensure that:
- its financial management standards are at the highest level possible;
 - its financial systems and practices enable it to be even more efficient than it is now; and
 - the extra resources it has recently agreed to invest in its Finance function are use to best effect.
- 2.6 To help it to secure the improvements it is seeking, the Council decided to commission a review of its financial management arrangements. RSM Robson Rhodes LLP was appointed to undertake the review, and this report sets out the results of our work.

The scope of our work

- 2.7 The terms of reference for the review are included as Appendix A to this report. In summary, the purpose of the review was to report on the extent to which:
- there is a corporate approach to finance across the authority;
 - financial management standards are in line with best practice;
 - the management of Internal Audit is effective;
 - the financial management of capital projects is integrated and effective; and
 - the Finance function has appropriate management and leadership skills.
- 2.8 We note that a separate consultancy exercise is currently being undertaken in relation to shortcomings identified in information provided by the Council's SAP system. Our work has not duplicated that exercise.

Our approach

- 2.9 In order to meet these objectives we employed the approach set out in our proposal document of May 2004. The methodology involved:
- conducting a range of interviews with officers (within and outside the Finance function) and members, the County Council Management Team, the Head of Finance, the Leader of the Council, the Deputy Leader of the Council, the Leader of the Opposition and members of the Corporate Governance Scrutiny Committee and the Best Value and Audit Committee (BVAC);
 - conducting a series of group workshops with Finance staff and non finance staff from each of the five directorates;
 - conducting an interview with representatives of the Council's outgoing external auditors;
 - conducting a survey of finance staff;
 - reviewing a series of documents; and
 - use of the recently released CIPFA Financial Management Model of best practice to benchmark the practices of the Council, supplemented by other professional standards as appropriate.
- 2.10 Details of our interview and workshops programme and the documents we reviewed are set out in Appendices J and K respectively.

Report Structure

- 2.11 The report is focused on comparing the Council's arrangements with best practice and identifying what needs to improve. The structure of the report is as follows:
- our assessment of the Council's financial planning and budget management arrangements;
 - our assessment of the adequacy of the Council's financial systems and controls;
 - our assessment of the effectiveness of the Council's internal audit function;
 - our observations on the Council's audit committee arrangements; and
 - our assessment of the Council's Finance function to meet business needs.
- 2.12 Our conclusions and recommendations are set out in each section of the report.

Acknowledgements

- 2.13 We would like to record our appreciation of the assistance we received from staff, officers and, members of the Council and the Audit Commission during the course of our work.

Use of this report

- 2.14 This report has been prepared to meet the terms of reference agreed between the Council and RSM Robson Rhodes LLP. The report is for the Council's use only and should not be relied on by any third parties. For the avoidance of doubt, it should be noted that we accept no liability for our work from third parties.

3 Financial Planning and Budget Management Arrangements

Introduction

- 3.1 Effective financial management requires the Council to have in place robust arrangements for:
- forward financial planning;
 - setting budgets; and
 - monitoring and reporting performance.
- 3.2 The Council's financial management arrangements are highly devolved with much of the Council's financial administration and accountancy support undertaken in directorates.

Our approach

- 3.3 We have evaluated the effectiveness of the Council's financial planning and budget management arrangements based on:
- a comparison with best practice using the CIPFA Financial Management Model;
 - interviews with officers, members and the external auditor;
 - workshops with Finance and non-finance staff from across the Council; and
 - a review of key documents.

Key messages

- 3.4 The Council has produced a Medium Term Financial Plan (MTFP), and is strengthening its financial planning and management arrangements. However, these developments are relatively recent. We note the following areas for improvement:
- Directly linking budgets and the capital programme to the Council's priorities and objectives;
 - Integrating service planning and budget setting;
 - Ensuring budgets are based on a review of total resource availability and usage with capital and revenue plans robustly integrated;
 - Basing the MTFP on robust medium term projections and risk assessments;
 - Underpinning the substantial savings targets in the MTFP with sustainable, risk-assessed robust action plans;
 - Developing effective budget monitoring and reporting arrangements to support forward financial planning;
 - Balances have fallen to a level at which the external auditor has expressed concern, and whilst the MTFP is set to increase the level of reserves to a minimum level recommended by the external auditor (2% of budget), this improvement will not be achieved until 2006/07;
 - Ensuring adequate devolved financial management arrangements are put in place to effectively manage resources within budget; and

- Improve the quality of financial reporting, which is currently not helped by:
 - the underdevelopment of SAP in terms of internal control and meeting the information and reporting requirements of users; and
 - information presented to members which lacks clarity and reliability.

Forward Planning and Budget Setting

3.5 We have compared the Council's arrangements with CIPFA's financial management model of best practice. Our key observations are summarised below.

3.6 The Council has set out a financial strategy and produced a clearly presented MTFP over 5 years. The Council is developing its forward planning processes and its strategies for delivering the efficiency/savings targets included in the MTFP. The areas where the MTFP and the Council's current financial planning arrangements can be developed and improved are:

- Fully integrating the production of the corporate plan with financial planning, where currently only growth plans for 04/05 onwards are clearly linked to priorities;
- Developing the corporate plan over the same time frame as the MTFP to ensure the MTFP is based on robust medium term projections and risk assessments;
- Developing the management of capital resources to include:
 - ideally, the development and inclusion in the MTFP of a medium term capital programme linked to Council priorities;
 - capital and revenue plans which are robustly integrated;
 - further developing the Council's option appraisal process to ensure the identification and selection of schemes is appropriate and the best use of capital resources; and
 - to reduce the risk of slippage by agreeing the capital programme prior to the start of the financial year rather than waiting for grant notifications to be received.
- Developing a culture of delivering efficiency savings. The MTFP includes significant savings targets, which, whilst there is a strategy for how these might be delivered, are not supported by detailed implementation plans, which we would expect to clarify issues such as sustainability of and risk to the savings programme;
- Council reserves have fallen to a level at which the external auditor has expressed concern – the MTFP seeks to address this by setting a budget which will increase reserves to 2% of budget but this will not be achieved until 2006/7;
- Developing the framework for budget setting ensuring:
 - budgets are based on a review of total resource availability and usage (not incremental in nature) and aligned to Council priorities and objectives;
 - directorates are encouraged to manage demand and developments within budget;
 - the budget setting process supports the MTFP; and
 - capital and revenue planning are robustly integrated.

Budgetary Control

3.7 Managing spend within available resources requires the Council to have:

- effective arrangements for reporting and monitoring performance against budget based on accurate, timely and relevant information;
- budget holders with financial competencies to manage resources effectively; and
- a Finance function with the capacity and capability to adequately support the directorates.

- 3.8 We have compared the Council's arrangements with CIPFA's financial management model of best practice. Our key observations are summarised below.

Monitoring and Reporting Arrangements

Adequacy of monitoring arrangements

- 3.9 We have reviewed the adequacy of the Council's budget monitoring arrangements and identified the following areas for improvement:

- Revenue and capital (since June 2004) is monitored on a monthly basis, but does not include balance sheet items and cash flow;
- The Council needs to develop a policy in respect of budget carry forwards which encourages a corporate approach to financial management;
- Directors should be held accountable for budget under and overspends through inclusion of financial performance in personal objectives and targets;
- Under spends could be retained where the directorate can demonstrate they are the result of efficiency savings over and above any savings target or to be used to manage increased demand and service developments or to fund robust invest to save initiatives agreed by the Council. Directorates with budget overspends need to address underlying pressures by taking prompt remedial action;
- During 2003/04, the information available predicted school balances to be zero or even in deficit, whereas year-end returns indicated balances to be much stronger. This suggests the financial monitoring and reporting of school budgets needs to be improved; and
- The capital programme under spent by £20million on a programme of £103million in 2003/04 (nearly 20%), suggesting the Council needs to strengthen its programme and project management arrangements to ensure projects are completed to schedule.

Adequacy of reporting arrangements

- 3.10 We have reviewed the Council's reporting arrangements including the quality of the financial information contained in reports and identified the following areas for improvement:

- Monthly monitoring reports are not formally considered by the management team as part of a regular agenda item on performance. To do so would provide a focus for ensuring action is being taken to address weaknesses, bring challenge, and foster a corporate approach to financial management within the Council;
- The Council has a substantial capital programme which needs to be effectively monitored. The Capital Strategy and Asset Management Group would appear to be a sensible forum for closer scrutiny prior to reporting to senior management and members;
- Monitoring reports by directorates are not produced in a standard and consistent format; and
- The current timetable for reporting provides limited time for Corporate Finance to coordinate, challenge and validate the financial monitoring information presented to them by directorates.

Adequacy of the quality of information

3.11 We have reviewed the quality of the information contained in financial monitoring reports to senior management and the Executive, and identified the following areas for improvement:

- There are problems with the information due to:
 - Serious weaknesses in the financial controls of the main accounting systems;
 - Information and reporting from financial systems does not meet users needs; and
 - Information is not being produced direct from the main accounting system (SAP) but downloaded and modelled, making it difficult to validate and increases the risk of error.
- Relevant financial and non-financial information is not integrated. Non-financial information is used to explain a variance but it is not linked to financial information in a way which establishes the relationship between resources and service outputs and outcomes.
- Key risk areas are not routinely identified, monitored and reported on. The emphasis has been on managing the overall budget and not addressing risks of serious under/overspends within individual directorate budgets;
- Key financial targets are not included in the reports, which should be expanded to include debts outstanding, write offs, BVPI 8 (late payment of invoices), cash flow and prudential indicators;
- Significant variances are not highlighted and investigated promptly with remedial action taken. The narration of variances tends to be limited to a factual explanation of the difference and does not include judgements about the significance or sensitivity of the variance, likely impact on final outturn, and what action needs to be taken to address the variance. Without this analysis the need for corrective action cannot be gauged and the opportunity to utilise under spends is lost or to take early remedial action to limit overspending;
- Capital reporting is limited to a comparison of spending against the total cost of the annual capital programme. This does not enable members and senior management to establish the extent to which schemes are delivered within budget, on a timely basis, realise the expected benefits and highlight the impact of capital on revenue in a consistent manner; and
- A lot of financial information is presented to members. The Council should periodically review with members their financial management information needs and ensure the content and presentation is sufficiently clear and concise for the non-financial reader.

Financial competencies of budget holders

Job description

3.12 The recent job evaluation exercise highlighted the need for financial competencies to be reflected in job descriptions and person specifications. The importance of not only identifying these competencies but also ensuring relevant and timely financial training is provided, has also been highlighted by the implementation of the new financial system (SAP).

Appraisal process

3.13 Financial competencies are not routinely included in the appraisal process and nor is financial performance routinely captured in performance targets.

3.14 Budget holders themselves have identified the need for increased levels of financial competence to manage more complex funding and financial arrangements in delivering their services.

Training

3.15 Although no corporate financial management training has been provided for some time, such training is now being planned and developed.

Finance Function Capacity and Capability

- 3.16 The capacity and capability of the Finance function is explored in more detail in Chapter 8. Our observations are that whilst directorates generally felt well supported by their local finance team there is a need to strengthen the Finance function to ensure it is properly resourced and trained to meet the demand for greater skills, with more tools and techniques to assist and support managers in the delivery of their services.
- 3.17 In addition, the information systems need to be substantially improved to ensure skilled finance staff spend more time providing challenge, interpretation and advice rather than extracting and reorganising data.

Budgetary Control within Directorates

- 3.18 An assessment of the adequacy of the budgetary control arrangements in directorates is set out in the table overleaf, based on:
- the extent to which the directorate manages resources within budget;
 - budget holders' knowledge and understanding of risk and cost centre management;
 - budget holder views on the adequacy of the support they receive from the directorate finance team; and
 - the action being taken by directorate finance teams to address issues of concern.
- 3.19 The purpose of this exercise is to identify where effort and resources should be targeted to address identified weaknesses, and also whether there are issues specific to individual directorates which need to be resolved. This is important, if the Council's response to the common issues is to achieve the desired outcome across the Council.
- 3.20 This assessment is the result of:
- interviews with the director and business manager for each service;
 - workshops with Finance and non-finance staff from across the Council; and
 - a review of budget monitoring reports and relevant internal audit reports.

Table 2: Adequacy of budgetary control arrangements within directorates

Directorate	Findings	
	Strengths	Areas for Improvement
Community Safety	<ul style="list-style-type: none"> A disciplined service with a good understanding of budgetary control, risk management and internal control by cost centre managers Manage resources within budget The directorate finance team work closely with business managers and budget holders underpinned by a clear analysis of cost centres 	<ul style="list-style-type: none"> None specific to directorate
Economy and Environment	<ul style="list-style-type: none"> Understanding of risk and budgetary control by cost centre managers is good - for many, their operational job requires competencies in finance, project management and risk management Budget monitoring reasonably sound Budget holders felt well supported by directorate finance team Local finance team focused on getting the basics right. Greater success with SAP than other directorates and as a consequence producing more reliable information. 	<ul style="list-style-type: none"> Developing the forecasting and managing the risk of difficult to predict aspects of the service and minimising slippage and overspends on capital projects
Social and Health Care	<ul style="list-style-type: none"> Understanding of risk and budgetary control by cost centre managers is good having benefited from the work following the FINE report Cost centre manual and training provided 	<ul style="list-style-type: none"> The complexity and demand led nature of the service presents a challenge in terms of financial management to all Councils and as a result requires sound systems and processes combined with good cost centre management. The key areas for improvement are: <ul style="list-style-type: none"> The quality of information available Addressing serious financial control weaknesses in business processes Local systems used to account for large areas of income and expenditure which lack financial controls and do not operate as intended Support and training has been focused on commissioning budget holders, but also needs to be applied to some not insignificant internally provided services e.g. homecare, transport Budget holders felt they required more support and training to equip them with the financial competencies needed to manage the increasingly more complex arrangements for delivering services through projects, grants, contracts, partnerships and pooled budget arrangements Budget holders felt the local finance team lacks stability, capacity and strategic capability (although recently strengthened through a restructure with additional senior professional resources).
Learning and Culture	<ul style="list-style-type: none"> Cost centre manual produced Training provided on manual and additional SAP training procured for directorate Directorate finance team have produced a sound action plan to address identified issues, including: <ul style="list-style-type: none"> restructuring the finance team to reflect the new structure of the directorate: strengthening the financial support arrangements for schools recognising the importance of customer care and the need for training strengthening procedures and training for cost centre managers. This is happening but is more of a challenge given the number of budget holders and the extent of devolution within the directorate. 	<ul style="list-style-type: none"> Understanding of budgetary control, risk and internal controls by cost centre managers is weaker than the other 4 directorates. The directorate has a significant number of budget holders and financial administration is also highly devolved, down to budget holders in many areas. This requires non-finance staff to be equipped with the necessary competencies and good support from the Finance function Budget monitoring, in particular the financial management arrangements for schools Some schools not happy with the service they receive from directorate finance team
Resources	<ul style="list-style-type: none"> Understanding of risk and budgetary control by cost centre managers is good Overall budget monitoring reasonably sound 	<ul style="list-style-type: none"> Management of budget underspends and variations to forecast outturn Budget holders felt the advice they receive from Finance is good, but need more support Lack of procedures and training

3.21 The key issues identified from the assessment of individual directorates are:

- Budget holders' knowledge and understanding of risk and cost centre management is generally good. The Social Services directorate having clearly benefited from the work following the FINE report. The greatest scope for improvement is within Learning and Culture, which suggests this, might be where any training should be targeted in the first instance:
- The extent to which directorates manage resources within budget varies between directorates. The pattern here is typical of most authorities with Social and Health Care and the Learning and Culture directorates presenting the greatest challenge. However, there are clearly some directorate specific issues for Social and Health Care in relation to a number of local systems used to account for large areas of income and expenditure, with an absence of adequate internal financial controls and which do not operate as intended. The directorate needs a clear vision for how the existing local systems, SWIFT (currently only used for client information) and SAP are going to be used to manage and report on the use of resources within this directorate. Having established that vision the Council needs to project manage the implementation of those decisions and put in place robust business processes with sound internal financial controls.
- The finance teams were found to be well regarded by their directorates for their competence and support. Some concerns were raised with regard to capacity in respect of Resources, Social and Health Care and Learning and Culture. All three directorates have taken steps to address this issue through restructuring and or additional resource input, and in the case of Learning and Culture also includes a robust action plan for the finance function. The issue for Social and Health Care is the recognition that the complexity of the issues both in terms of current issues, the modernisation agenda for social and health care requiring more financial competencies from both finance staff and budgetholders, who by their own admission receive very little training in financial matters as part of their professional training, indicates the need for a proportionately greater number of trained and skilled finance professionals than other directorates.

Recommendations

3.22 The Council needs to develop its financial planning and budget management arrangements as follows:

Financial Planning and budget setting

- Further develop the MTFP to ensure it is:
 - linked to Council priorities;
 - based on robust medium term projections and risk assessments;
 - realistic and achievable; and
 - underpinned by financial policies, which support the delivery of the MTFP and achievement of the Council's financial objectives.
- Establish a clear link between revenue and capital resources.
- Integrate service planning and budget setting to align resources with priorities and objectives.
- Require directorates to manage demand within budget.
- Review total resource availability and usage when setting the budget.
- Produce costed sustainable savings plans supported by robust action plans, which are separately monitored and reported to senior management and the Executive.
- Manage capital resources effectively by:

- exploring how a medium term programme (5 years) based on the Council's priorities, which reflects assessed needs as set out in the asset management plan, can be developed;
- further strengthening the option appraisal process to ensure the identification and selection of schemes is appropriate and the best use of capital resources; and
- agreeing the capital programme prior to the start of the financial year by not waiting for grant notifications but agreeing schemes based on best estimates which can be added to or withdrawn once final notification is received.

Monitoring and Reporting Performance

- Include monthly monitoring reports as a regular agenda item on performance considered by the Council's senior management team.
- Produce integrated financial and performance reports on a quarterly basis.
- Expand monthly monitoring reports to include the monitoring of balance sheet items, cash flow and key financial performance targets.
- Review carry forward arrangements to bring accountability for budget under and overspending and to ensure the use of resources is maximised.
- Ensure key elements of the budget are closely monitored with key risk areas identified, monitored and reported.
- Ensure significant variances are highlighted and investigated promptly with remedial action taken as appropriate.
- Put in place robust financial monitoring and reporting arrangements of school budgets by schools and the Council.
- Develop the reporting of monthly information to include:
 - reporting on balance sheet items, cash flow, and other key financial performance targets;
 - integration of financial and non-financial information to develop understanding on the relationships between costs, outputs and outcomes;
 - defining the level of variances to be reported; and
 - for significant variances include an explanation, what action is being taken and a sensitivity analysis of the likely impact on final outcome.
- Expand reporting on the capital programme to include:
 - spend and delivery against programme areas, scheme and projects and not just total annual spend against budget; and
 - the extent to which expected benefits of the project are realised and the lessons learnt through completion of post implementation reviews.
- Ensure the information presented to senior management and members is timely, reliable and clearly presented.

Devolved financial Management

- Develop clear guidelines, rules and procedures so that budget holders are clear about what they can and cannot do in a framework which incentivises and gives them freedom to manage.
- Take action to address shortcomings in financial systems and internal financial controls to ensure underlying data is complete and accurate, including the specific local system issues within SHC.
- Move to a position where financial information is reported from the main financial system (SAP).
- Ensure that financial competencies are identified in job descriptions and person specifications, and are considered as part of the appraisal process with financial targets built into performance objectives.
- Provide appropriate ongoing corporate training for budget holders; and
- Review the adequacy of financial support to budget holders both corporately and within directorates.

4 Financial Systems and Control

Introduction

- 4.1 A sound system of internal financial control is essential for sound financial management. It provides the framework for ensuring:
- All transactions are properly accounted for;
 - Adherence to policies, laws and regulations;
 - The Council's assets are safeguarded from inappropriate use or loss;
 - The risk of fraud is combated; and
 - Reliability and integrity of management information.
- 4.2 The Council recently introduced a new management information system (SAP), which includes the main accounting system. A separate consultancy exercise is currently being undertaken in relation to shortcomings identified in information provided by the Council's SAP system. We have not duplicated the work being undertaken in that exercise.
- 4.3 At around the same time as the introduction of SAP, the Council took the decision to bring back in-house the Exchequer functions outsourced under contract to CSL.

Our approach:

- 4.4 We have reviewed the adequacy of the internal financial control environment within the Council based on:
- a review of the adequacy of the main accounting systems for internal financial control purposes;
 - a review of the statement of Internal Financial Control exercise;
 - interviews with Internal Audit, the outgoing external auditor, Head of Finance, other members of the finance team and officers in the directorates; and
 - workshops with Finance and non-finance staff from across the Council.

Key messages

- 4.5 Overall the Council lacks a proper internal financial control framework to manage key financial risks and needs as a matter of priority to:
- Putting in place an adequate, documented and disseminated internal control framework.
 - Embed a culture of Internal Control, where currently priority has been given to financial planning, in-year budget solutions and management of the financial outturn.
 - Addressing the lack of understanding about what internal control actually means and how it relates to risk management.

- Recognising that the highly devolved financial management arrangements at the Council have exacerbated weaknesses in financial control and require more robust arrangements to be in place.
- The arrangements by which the delegated S151 officers discharge their duties in respect of internal financial control needs to be defined.
- Only 2 of the Council's 10 main accounting systems are adequate for internal financial control purposes.
- The implementation of SAP and the bringing back in-house of the Exchequer functions at the same time, without a proper control framework in place has exacerbated existing weaknesses in internal financial control
- Addressing the lack of impact Internal Audit appears to have made in improving the Council's overall systems of internal financial control or in highlighting the seriousness of the situation.
- Putting in place an effective scrutiny framework for members to challenge the adequacy of the Council's internal control framework.

Adequacy of internal financial control

- 4.6 To assess the adequacy of internal financial control we have reviewed the adequacy of the Council's main financial systems for internal financial control purposes.
- 4.7 The following table summarises our conclusions with regard to the adequacy of the internal financial controls for each of the Council's main financial systems. We based our conclusions on:
- findings from Internal Audit Reviews; and
 - our overall assessment of the control environment based on interviews and a series of workshops with Finance and non-finance staff.
- 4.8 The table shows that, of the 10 main financial systems, only 2 are adequate for internal financial control purposes (treasury management and pensions administration). Internal Audit has carried out reviews of 7 of the 10 main financial systems.

Table 3: Review and adequacy of the main financial systems for financial control purposes

System	Reviewed by Internal Audit	Adequacy of internal financial controls in place	Key issues to be addressed
Financial Ledger (Budgetary Control only)	✓	Limited Assurance with some weaknesses	<ul style="list-style-type: none"> • Lack of corporate guidelines and standard procedures – varied practices across directorates • Scheme of delegation not in place for all directorates • Local systems failures in Social and Health Care • Limited reporting on financial performance other than revenue budget to actual and projected outturn (recently instituted monthly monitoring of capital) • Limited access to payroll information
Fixed Assets	✗	No Assurance	<ul style="list-style-type: none"> • Lack of corporate guidelines and standard procedures – varied practices across directorates • Internal Audit not reviewed system • Inadequate records and control over completeness of assets
Stock	✗	No Assurance	<ul style="list-style-type: none"> • Internal Audit not reviewed system
Debtors	✗	No Assurance	<ul style="list-style-type: none"> • No corporate debt recovery strategy or corporate procedures – varied practice across directorates • Lack of reporting at directorate and corporate level • Management reports unavailable • Use of local systems to account for income • Inability to establish debtor position in Social and Health Care • Unsatisfactory write-off arrangements • Internal Audit not reviewed system
Cash & Bank	✓	Limited Assurance with serious weaknesses	<ul style="list-style-type: none"> • Lack of operational procedures • Lack of management reports • Inadequate monitoring of reconciliations
Treasury Management	✓	Adequate	<ul style="list-style-type: none"> • Minor issues only
Creditors	✓	Limited Assurance with serious weaknesses	<ul style="list-style-type: none"> • Lack of comprehensive corporate policies and procedures – varied practices across directorates • Lack of regular reconciliation of some control accounts to ledger • Inadequate certification arrangements • Lack of supervisory checks and review in Social and Health Care and Learning and Culture directorates

System	Reviewed by Internal Audit	Adequacy of internal financial controls in place	Key issues to be addressed
Payroll	✓	Limited Assurance with serious weaknesses	<ul style="list-style-type: none"> • Lack of comprehensive corporate policies and procedures – varied practices across directorates • Lack of segregation of duties • System reconciliations not carried out. • Validation checks not performed • No agreed service standards in place • Starters and leavers information delayed or mislaid • Deductions not always authorised • Limited CRB checks where required • Limited checking of back up processes • Variations processed without authorisation • Inadequate reporting
Pensions Administration	✓	Adequate	<ul style="list-style-type: none"> • No issues
Pensions Funds	✓	Limited Assurance with some weaknesses	<ul style="list-style-type: none"> • Inadequate evidence of reconciliation of transfer between custodians

Adequate	Limited Assurance with Some Weaknesses	Limited Assurance with Serious Weaknesses	No Assurance
Sound system of control designed to achieve the system objectives, which are being achieved.	Basically a sound system but there are weaknesses which mean some of the system objectives may not be being achieved	A risk that objectives are not being achieved	Lack of evidence on adequacy of controls or evidence indicates the system is open to significant error or abuse

4.9 There are serious internal financial control weaknesses within the Council's main accounting systems. These can be summarised into a number of common themes:

- Lack of corporate standards and guidelines to underpin the financial regulations set out in the Constitution;
- Lack of adequate monitoring and review to ensure policies, laws and regulations are being adhered to;
- Roles and responsibilities not clearly defined;
- Local systems not interfaced with the main financial system (SAP);
- Local systems not operating as intended (Social and Health Care);
- Lack of documented business processes and procedures;
- Poor information and lack of reporting;
- Inadequate separation of duties;
- Lack of regular reconciliations;
- Non-clearance of suspense accounts and review of unusual items; and
- Insufficient supervisory checks and review.

4.10 In the light of these weaknesses, the Council faces the following risks:

- All transactions are not properly accounted for;
- Income and expenditure not spent in accordance with the policies of the organisation, properly authorised and in accordance with the law;
- Income and expenditure not managed within budget;
- Assets not properly accounted for; and
- Poor decision making in the absence of complete, timely, relevant and reliable information.

Reasons for control failure

4.11 The seriousness of the financial control weaknesses appear to be attributable to the following:

Risk Management and Internal Control Framework

- The Council lacks an embedded culture of internal control. Instead priority has been given to financial planning, in-year budget solutions and management of the financial outturn.
- The Council does not possess an adequate, documented and disseminated internal control framework, which is required to manage any business. Instead we found multiple systems, and a lack of standardised processes and procedures.
- A lack of understanding about what internal control means and how it relates to risk management.

Devolved Financial Management

- The Council's highly devolved management arrangements have exacerbated weaknesses in financial control, as different customs and practices have evolved within directorates, and financial resources have been focused on financial planning and budgetary control.
- The lack of a corporate financial control framework and culture has not helped the effective discharging of delegated section 151 control responsibilities within directorates.

Implementation of SAP and Exchequer functions transferred back in-house

- The Council now find itself in a position having implemented SAP and taken on the Exchequer functions previously outsourced under contract to CSL, where only 2 of the Council's 10 main financial systems are adequate for internal financial control purposes - treasury management and pension administration. The other eight main financial systems have financial control weaknesses. This position appears to be the result of the implementation of SAP and the bringing back in-house of the Exchequer functions (at the same time), without a proper control framework in place which has exacerbated existing weaknesses in internal financial control. It is also a missed opportunity not only to improve internal financial control but also through business process reengineering to foster a corporate approach, and to streamline current systems and processes.
- The devolution of transaction processing of Exchequer functions down to, in some cases, budget holder level has created difficulties with regard to adequate separation of duties, adequate cover arrangements to ensure transactions are processed, lack of standardised processes and procedures, and concern as to whether staff processing transactions have the necessary level of financial competencies required to be entering transactions on the main accounting systems. In addition there is also a question of efficiency to be considered, particularly with regard to payroll administration.

Monitoring compliance with rules and regulations

- The Council lacks an adequate framework to monitor the adequacy of internal financial controls, and compliance with the Council's rules, regulations, policies and procedures on a number of levels:
 - How the delegated S151 officers discharge their duties in respect of internal financial control has yet to be defined;
 - Internal Audit have reviewed only 7 of the Council's 10 main financial systems;
 - Internal Audit have made a number of recommendations which do not appear to have had an impact in terms of:
 - getting management to accept and address the recommendations made; and
 - bringing together and presenting the information in a way which highlights the seriousness of the weaknesses and the impact not only on the internal financial control environment but also on the quality of financial information as a basis for effective decision-making; and
 - Lack of effective scrutiny by members of the adequacy of the Council's risk management and internal control framework.

Adequacy of internal financial control within directorates

4.12 An assessment of the adequacy of the operation of internal financial controls in the directorates is summarised in the table 4 below. This assessment is based on:

- findings from Internal Audit Reviews; and
- our overall assessment of the control environment based on interviews and a series of workshops with Finance and non-finance staff.

4.13 The purpose of this exercise is to identify where effort and resources should be targeted to address identified weaknesses, and also whether there are issues specific to individual directorates which need to be resolved. This is important, if the Council's response to the common issues is to achieve the desired outcome across the Council.

Table 4: Adequacy of internal financial control environment within directorates

Directorate	Findings	Areas for Improvement
Community Safety	<ul style="list-style-type: none"> No specific issues identified other than the general financial control weaknesses in the main accounting systems Good practice - use of self assessment audits 	<ul style="list-style-type: none"> None specific to directorate
Environment and Economy	<ul style="list-style-type: none"> No specific issues identified other than the general financial control weaknesses in the main accounting systems Good practice – Trading Standards ISO9000 compliant and use of self-audits 	<ul style="list-style-type: none"> None specific to directorate
Social and Health Care	<ul style="list-style-type: none"> SAP not used to record significant areas of income and expenditure Serious financial control weaknesses in local financial systems Inadequate accounting arrangements for income Lack of supervisory checks built into accounting processes 	<ul style="list-style-type: none"> Address the serious financial control weaknesses in local financial systems and ensure appropriate interface and reconciliation processes are in place Supervisory checks built into business processes
Learning and Culture	<ul style="list-style-type: none"> SAP not used to record all income and expenditure Devolution of transaction processing to levels which are questionable both in terms of internal control and efficiency Lack of supervisory checks built into accounting processes 	<ul style="list-style-type: none"> Ensure local systems have sound systems of internal control with appropriate interface and reconciliation processes in place Review the level of devolvment of transaction processing Supervisory checks built into business processes
Resources	<ul style="list-style-type: none"> No specific issues identified other than the general financial control weaknesses in the main accounting systems 	<ul style="list-style-type: none"> None specific to directorate

4.14 The key issues identified from the assessment of individual directorates are:

- Good practice identified in the form of self assessment audits by the Community Safety directorate and the Trading Standards service
- Recognition that there are a number of local financial systems used to account for income and expenditure, which need to have adequate internal financial controls in place.
- Serious weaknesses in the local financial systems used by the Social and Health Care directorate.
- The level of devolvment of transaction processing in Learning and Culture raises the issue of what is the right level of devolvment for transaction processing. Greater devolvment is likely to be less cost effective and increase the risk that not all transactions are valid, complete and accurately processed, and in a timely manner. This needs to be contrasted with the advantage for the budgetholder.

Recommendations

- 4.15 The Council needs to put in place a robust internal financial control framework comprising adequate systems, procedures and behaviours, which address the Council's key financial risks. The framework should include the following:

Main accounting systems

- Ensuring key controls as set out in Appendix C are in place and operating as intended;
- Internal audit review the three main accounting systems they have not yet reviewed;
- Review the level of devolvement of transaction processing and identify what is appropriate for each of the main accounting systems, and where devolved to directorates, what is then the right level of devolvement for that directorate;

Policies and Procedures

- Expanding the financial regulations in the Constitution to include key principles and processes;
- Producing corporate standards and guidelines to underpin the financial regulations set out in the Constitution;
- Ensuring an approved Scheme of Financial Delegation is in place for all directorates and approved by the Head of Finance;
- Producing standard procedures which reflect its business processes which include management and operational procedures and not just the IT system processes and procedures;
- Clearly defining roles and responsibilities - incorporating these in job descriptions and reflecting them in personal objectives and targets;
- Ensuring adequate separation of duties;
- Undertaking regular reconciliations of bank accounts and various control accounts with evidenced review;
- Ensuring suspense accounts are cleared and unusual items reviewed;
- Building in sufficient supervisory checks and review;

Systems

- Putting in place an action plan to address the information and reporting requirements of SAP;
- Putting in place a plan to integrate or replace existing local systems with SAP where appropriate and to establish SAP as the Council's main financial management information system;
- Address weaknesses in internal control within the local financial systems used by Social and Health Care;

Training

- Putting in place a corporate training programme to deliver:
 - financial training for budget holders and financial administration staff;
 - SAP training for all staff involved in carrying out financial transactions on SAP to consistent and documented procedures; and
 - training on risk management and internal control and the relationship between them in order to raise awareness and understanding.

Monitoring compliance

- Reaching agreement about how delegated S151 officers are to discharge their responsibilities for ensuring that the Council's policies, procedures and rules are being adhered to;
- Setting performance indicators and targets and monitoring and reporting performance;
- Develop the concept of self – assessment in line with best practice;

- Ensuring the Council has an effective internal audit function where Internal Audit:
 - define the Council's key financial systems;
 - carry out risk-based annual reviews of the Council's main financial systems;
 - carry out risk-based reviews of the other financial systems;
 - prioritise the significance of internal financial control weaknesses to enable urgent action by members/officers as appropriate; and
 - present an annual opinion to the Audit Committee on the adequacy of the Council's internal financial controls; and
- Adequate scrutiny of the risk management and internal control framework by members.

5 The Internal Audit Function

Introduction

- 5.1 Internal audit has a key role to play in helping to maintain confidence in the governance of the Council and in providing assurances to members, the audit committee and management on the processes that are in place to manage the risks of the organisation within the overall corporate governance framework.
- 5.2 It is therefore important that it is equipped to do this effectively and this is underpinned by the requirement (Regulation 6) of the Accounts and Audit Regulations 2003 that Council's maintain an adequate and effective system of internal audit of its accounting records and control systems.
- 5.3 We note that the role of internal audit in local government has evolved over recent years from a purely traditional compliance focus to one that can audit the risk management, internal control, corporate governance and other key business processes and facilitate improvements to the risk management and internal control framework. We also believe that there is a need to ensure that schools receive a knowledgeable and specialist service and that proper arrangements are made to deal with the prevention and detection of fraud and corruption.

Our approach

- 5.4 We have evaluated the effectiveness of the Council's internal audit function based on:
- a review of compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom;
 - a review of the findings from the outgoing external auditors work; and
 - interviews with the Chief Internal Auditor, officers, members and the outgoing external auditor.

Key messages

- 5.5 The Council needs to materially strengthen its internal audit function both in terms of resources and the way it operates:
- The internal audit function is insufficiently resourced overall to operate effectively in a highly devolved, multi-business environment;
 - The internal audit function lacks credibility with officers and members;
 - The internal audit function is not effective, does not fully comply with the CIPFA Code of Practice and lacks impact; and
 - The current position is not sustainable. There needs to be a clear vision for the future of internal audit if the Council is to score a 4 on the "Use of Resources" in its CPA assessment.

The Council's current arrangements

- 5.6 The Council's internal audit function is resourced through a co-sourcing arrangement with Deloitte, which provides 620 chargeable audit days. The contract is managed by an in-house team comprising the Chief Internal Auditor and three audit managers (includes one vacancy).

Effectiveness of the internal audit function

- 5.7 The effectiveness of the internal audit function can be considered on two levels. Firstly, how internal audit operates and is structured, and secondly, the extent to which the service has impact and adds value.
- 5.8 We assessed the Council's compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The results are summarised in the table overleaf. This shows the Council is not fully compliant with any of the Code's ten standards. The table highlights the key areas to be addressed in order to achieve full compliance.

Table 5: Compliance with CIPFA Code of Practice for Internal Audit in Local Government

Code area	Code of Practice Standard met Full/Partial/None	Areas to be addressed to achieve full compliance
ORGANISATIONAL STANDARDS		
Scope	Partial	<ul style="list-style-type: none"> Review budget Specify internal audit's role with regard to fraud Set out rights of access to partner organisations.
Independence	Partial	<ul style="list-style-type: none"> Review reporting lines, level and independence.
Audit Committee	Partial	<ul style="list-style-type: none"> Term of reference to include: Assurance on the wider arrangements relating to all internal control activities Approval of significant changes made to the audit plan.
Relationships	Partial	<ul style="list-style-type: none"> Update protocol with new external auditor Better manage officer and member expectations/relations.
Staffing, Training & Development	Partial	<ul style="list-style-type: none"> Set out staffing levels and skills requirements Staff appraisals to identify training and development needs Personal development plans to meet training and development needs Ensure partner organisation is compliant with code requirements.
OPERATIONAL STANDARDS		
Audit Strategy	Partial	<ul style="list-style-type: none"> The Strategy needs to: Demonstrate whether the skills required for its delivery are present in the in-house team (the partnership is expected to deliver the necessary skills at operational level) Split time between chargeable and non-chargeable, and breakdown non-chargeable Include adequate contingency Report material in-year changes to the Strategy to BVAC.
Management of Audit Assignments	Partial	<ul style="list-style-type: none"> Follow up recommendations.
Due Professional Care	Partial	<ul style="list-style-type: none"> Demonstrate due professional care is being achieved Record reviews carried out.
Reporting	Partial	<ul style="list-style-type: none"> Provide report to support the Statement on Internal Control Set out access to members Prioritise recommendations Produce Annual Report.
Quality Assurance	Partial	<ul style="list-style-type: none"> Quality Manual to specify training requirements Report on performance measures/Indicators to BVAC Include performance indicators for overheads and management time Performance indicators to include targets.

Role and Coverage

- 5.9 In the introduction to this section of the report we noted the evolving role of internal audit in local government. The extent to which the current internal audit function meets these different roles is summarised in the table below.

Table 6: Roles of a modern internal audit service and the extent to which they are met by the current internal audit function

Role	Observations
Corporate Governance and Risk Management	<ul style="list-style-type: none"> Not fully integrated into the role of the service in previous strategies and work programmes
Traditional Compliance	<ul style="list-style-type: none"> Internal audit has not reviewed all the Council's key financial systems
Fraud	<ul style="list-style-type: none"> Not included in Internal Audit's terms of reference No specialist anti-fraud team Limited specialist training in anti-fraud work
Schools	<ul style="list-style-type: none"> Limited coverage No specialist in-house experience Schools audits carried out by co-sourcing partner

- 5.10 This suggests the current service is not adequately resourced to cover the traditional compliance role yet alone what is now regarded as the basic remit of an effective internal audit function.
- 5.11 Several key observations arising from our work are:
- We note that internal audit has not carried out a review of the adequacy of the Council's risk management or wider corporate governance arrangements. Given the importance of these arrangements for ensuring the Council meets its objectives and the requirements to produce a Statement of Internal Control from April 2003, we recommend this as an area important for review;
 - Internal audit is not effective in 'joining up' knowledge from different parts of the organisation in relation to risk. Internal audit's risk assessment, which informs the Audit Strategy needs to be improved and linked into the work of the risk manager and the Council's risk management arrangements;
 - Internal audit has not to date accessed specialist skills in respect of detecting and preventing fraud, and carrying out risk based schools audits in a consistent manner;
 - There is no detailed action plan in place to address the areas of non-compliance with the CIPFA Code of Practice; and
 - Because of weaknesses in compliance with the above standards and a general lack of credibility, we are concerned that officers have taken a number of well-documented audits with significant findings far less seriously than we might have expected.

Impact

- 5.12 The main way in which internal audit has impact and adds value is by making recommendations that are accepted and implemented by management, and which assist management to:
- establish and maintain a system of internal control that is effective in managing risks; and/or
 - realise improvements in the economy, efficiency and effectiveness of the organisation's processes and controls.

- 5.13 The results of our review highlight serious shortcomings, which have limited the impact and therefore effectiveness of the internal audit function. In particular:
- Individual audit opinions are not brought together to provide the Audit Committee and management with an annual opinion on internal controls within the Council as a whole;
 - There has been very limited reporting to management and the Audit Committee on significant issues;
 - The lack of a follow up process to ensure that all recommendations are actioned, and where they have not been actioned on a timely basis, are reported to management and the Audit Committee;
 - An absence of agreed protocols for reporting, prioritising and escalation of significant issues; and
 - The lack of a process for informing management and the Audit Committee about significant issues at an early stage, outside the normal reporting cycle.
- 5.14 How internal audit is viewed within the Council is also crucial to its effectiveness. This requires:
- internal audit to be positioned appropriately within the organisation; and
 - reporting lines and adequate resources to enable it to carry out its work objectively and to the required level of detail.
- 5.15 We found:
- The internal audit function lacks credibility with officers and members;
 - The restructuring of the finance function with the Head of Internal Auditor now reporting to the Assistant Head of Finance (Services), who also has line management responsibility for financial administration has created both a potential conflict of interest and has reduced the credibility and status of the Head of Internal Audit role;
 - The adequacy of the level of resources as identified in the internal audit functions strategic plan is below the average for county councils;
 - The external auditor has questioned the function's capacity to meet its statutory duties; and
 - The highly devolved environment, recent and historical control failure, and the failure to review all significant financial systems in 2003/04, all suggest a function that is underresourced/underskilled.

Resourcing for the future

- 5.16 Internal audit can be resourced in a number of different ways:
- a fully in-house function, where all of the internal audit team are employed directly by the organisation;
 - a fully out sourced function, where the internal audit service is provided by an external supplier; or
 - a combination of the two (co-sourcing or partnering).
- 5.17 The following factors are particularly relevant to the Council's choice of the best way to secure an effective internal audit service:
- The pace of change - more input required to review developing systems;
 - The devolved nature of the Council – having to review more systems operated by each directorate;
 - The standard of internal control – more resources are required to review and follow up poor systems of internal control;
 - The degree of risk facing the Council in a range of areas e.g. fraud, risk management and schools – and how well they are currently addressed; and

- The introduction of effective self-assessment by managers would reduce the level of resources required to undertake audits, to one of providing assurance on the quality of the self-assessment process. This approach would also enable Directors to provide the Chief Executive, Director of Resources and Head of Finance with the level of assurance on the adequacy of internal controls to support the Statement on Internal Control.

Recommendations

- 5.18 The Council needs to materially strengthen its internal audit function in terms of both the level of resources and the way it operates, and should consider how best to do so. There are three main models for it to choose from.
- 5.19 Whilst deciding on the best way to secure an effective internal audit function, the Council should take a number of immediate steps, i.e.:
- The Council should ensure an action plan is in place to achieve full compliance with the CIPFA Code of Practice for Internal Audit in Local Government. Implementation of the action plan should be reviewed by the BVAC as part of its role in reviewing the effectiveness of the internal audit function.
 - Appoint sufficiently experienced resource to effectively manage the above contracts and to be a key liaison point with BVAC, the Director of Resources and the Section 151 officer.
 - Review the reporting to and management of the Head of Internal Audit in the light of best practice set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (in the context of the Council this is most likely to mean the Head of Finance or the Director of Resources);
 - As a priority, put in place processes for the follow up of recommendations, reporting and escalation of significant issues.
 - Internal Audit's risk assessment process needs to be improved and linked into the Council's risk management arrangements.
 - The BVAC should review the effectiveness of the internal audit function through periodic monitoring and annual review (see section 6).
 - The BVAC should be provided with adequate information to enable it to discharge its duties in accordance with the terms of reference set out in the constitution, as recently amended.

6 Audit Committee Arrangements

Introduction

- 6.1 The Council does not have a specific audit committee. Audit matters are dealt with by the Best Value Committee (BVC), recently renamed the Best Value and Audit Committee (BVAC).
- 6.2 We set out the results of our assessment of the Council's compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom in section 6. One of the code areas relates to the operation of the audit committee. Our analysis raised several points, which we have expanded upon in this section of the report.

Our approach

- 6.3 We have compared the Council's audit committee arrangements with
- those typically in place in other parts of the public and the private sector (Appendix D); and
 - to emerging best practice contained in the Combined Code on Corporate Governance, revised to include guidance on audit committees "The Smith Guidance".

Key messages

- 6.4 The Council lacks effective scrutiny of its risk management and internal control framework by members:
- the BVAC in its current format lacks audit focus;
 - where time has been devoted to audit matters, the Committee has not been provided with adequate information to enable it to discharge its duties effectively in accordance with its terms of reference; and
 - the BVAC terms of reference is too narrowly defined compared with best practice.

Establishing an audit committee

- 6.5 An audit committee is an important mechanism for gaining assurance about what is happening in an organisation. The BVAC in its current format has been dominated by best value reviews with limited time devoted to audit matters, compounded by a lack of information available for the Committee's consideration.
- 6.6 A comparison with other public sector organisations and the private sector indicates that a dedicated audit committee is standard practice. A separate committee would provide a much-needed focus for ensuring risk management and internal controls improve, and for reviewing and challenging the adequacy of the controls assurance mechanisms that are in place, including the effectiveness of the internal audit function.
- 6.7 In establishing an Audit Committee, the Council should consider the factors set out below:

Independent external members

- 6.8 It is widely accepted good practice to include independent external members on audit committees. We note that the Council has three co-opted members on the BVAC.
- 6.9 The objectivity of the audit committee process is seen to be enhanced where an independent external member chairs the committee. In our experience audit committees are most effective where the chair is chosen for strong leadership, is a senior figure respected by members and officers, with a willingness to ask challenging questions rather than for their position in the organisation.

Size of the Audit Committee

- 6.10 The Audit Committee needs a sufficient number of members to ensure that an appropriate skills set is established and also reflects the diverse interests of the organisation, but at the same time is small enough to enable all members to participate fully in discussions.
- 6.11 A comparison with other public sector organisations and the private sector (included as Appendix D) suggests the average is between 3 to 8 members. Typically the private sector has only three members. Most public sector organisations have larger committees to reflect the more diverse interests and activities of the organisation.

Role of the Audit Committee

Assurance on the risk, control and governance arrangements and the Statement of Internal Control

- 6.12 Compliance with the CIPFA Code of Internal Audit in Local Government requires the Audit Committee to provide assurance on the wider arrangements relating to all internal control activities, whereas the Council's terms of reference currently refer only to internal financial controls. Best practice suggests the Audit Committee has a key oversight role to play in organisational corporate governance, in particular those aspects relating to internal control and risk management by robustly reviewing and challenging the assurance mechanisms that are in place.
- 6.13 To do this the Audit Committee needs to be provided with appropriate information and to ask probing questions to satisfy itself about the adequacy of the arrangements in place and where appropriate that agreed action is being taken. The minimum information the Audit Committee should expect to receive is included in Appendix E. An example of the areas and types of questions used to robustly review and challenge the assurance mechanisms in place are included in Appendix F.

Arrangements for the prevention and detection of fraud and corruption.

- 6.14 A recent amendment to the BVAC's terms of reference suggests it is internal audit's responsibility to put in place adequate arrangements for the prevention and detection of fraud and corruption. It is the Council's responsibility to make sure that such arrangements are in place, and for internal audit to provide independent assurance to the Committee as to the adequacy of the internal controls in place to prevent and detect fraud and corruption. We recommend the terms of reference be amended to correctly reflect the Council's responsibilities and the duties of the BVAC, and that officer responsibilities are also clearly set out in the Council's Financial Regulations.

Monitoring and reporting on the effectiveness of the internal audit function

- 6.15 Internal audit has a key role to play in helping to maintain confidence in the governance of an organisation and in providing assurances to members, the audit committee and management on the processes that are in place to manage the risks of the organisation within the overall corporate governance framework. In the same way an audit committee evaluates the effectiveness of other assurance mechanisms in place, it also needs to evaluate the effectiveness of the internal audit function regularly and to provide feedback and guidance to help it improve. We note that a decision to extend the BVAC's terms of reference to include monitoring the performance of the internal audit function was made by the Committee on 26 May 2004.
- 6.16 Good practice suggests this can be achieved through:
- The audit committee receiving periodic reports from internal audit, which summarises the work of internal audit - reports issued against plan, findings and significant issues, as well as information to help the Audit Committee assess the ongoing effectiveness of the function such as level of resources and quality of the recommendations; and
 - An annual review which would provide assurance to members and to senior management about the effectiveness of the internal audit function as part of the Council's overall internal control assurance framework to support the contents of the Statement of Internal Control. The review could be in the form of a self-assessment by the head of internal audit, supported by feedback from management, the external auditors and others as appropriate. The possible contents of such a report are included in Appendix G.

Relationship between internal and external audit

- 6.17 Good practice indicates the audit committee has a role to play in fostering effective relationships between internal and external audit and ensuring coordination between their respective annual audit plans to maximise the use of resources available as part of a total controls assurance framework.

Audit committee performance

- 6.18 It is increasingly seen as good practice for the audit committee to report annually on its own performance, a standard the Council has already set for its scrutiny committees. The review could be based on an initial self-assessment/reporting framework. An example of the criteria the audit committee might consider is that currently used as good practice in the NHS (included as Appendix H) where such assessments have been incorporated into Department of Health rules and regulations for NHS bodies. Such assessments are also becoming more common within the Education sector, particularly Further Education Colleges under guidance issued by the Further Education Funding Council.

Meetings of the Audit Committee

- 6.19 The BVAC does not agree an advance programme of work in relation to discharging its audit responsibilities. Audit committees typically meet about four times a year, although in larger organisations they may meet more frequently and also consider the results of all internal audit assignments which have been completed at each meeting.
- 6.20 It is also best practice that there should be provision for both the internal and external auditors to have free access to the chair of the audit committee and to meet the full audit committee without officers present at least once each year to raise any unresolved issues of concern.
- 6.21 The Council currently conducts all its audit committee meetings in public. We would question this arrangement on the basis that it does not facilitate open discussions of particular issues which are inappropriate for a public forum. A comparison of audit committee arrangements (Appendix D) suggests the typical arrangements to be found in local government are public meetings with a private part 2 session, which we would support as best practice.

Recommendations

- 6.22 We recommend:
- The Council establish a dedicated audit forum and in accordance with best practice its terms of reference should be wider than the current BVAC terms of reference to include:
 - assurance on the risk, control and governance arrangements and the Statement of Internal Control and not just internal financial controls;
 - ensuring coordination between internal and external annual audit plans to maximise the use of resources available as part of a total controls assurance framework; and
 - reporting annually on its own performance.
 - The audit committee's terms of reference be amended to correctly reflect both its and the Council's duties and responsibilities with regard to the prevention and detection of fraud and corruption, and to clearly document officer responsibilities and duties in the Council's Financial Regulations.
 - The audit committee monitors the performance of the internal audit function via periodic reporting and undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time.
 - The audit committee agree an advance programme of work to discharge its audit responsibilities in accordance with its terms of reference.
 - The audit committee to hold informal meetings or a private session as part of the public meeting to facilitate open discussion of particular issues which are inappropriate for a public forum.
 - The internal and external auditors to have free access to the chair of the audit committee and to meet with the full audit committee without officers present at least once each year to raise any unresolved issues of concern.

7 The Finance Function

Introduction

- 7.1 Councils have a duty under Section 151 of the Local Government Act, 1972 to “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”
- 7.2 This responsibility rests with the Head of Finance as ‘Section 151 officer’ for the Council. To fulfil this duty the Section 151 officer needs to have in place arrangements to:
- provide financial advice to the council and elected members;
 - provide financial advice for the strategic planning and policy making process to ensure efficient and effective use of resources;
 - provide advice on the optimum use of available resources and on the management of capital and revenue budgets;
 - provide financial management information;
 - prepare statutory accounts, associated grant claims and supporting papers;
 - provide an effective internal audit function and assistance to management in providing safe and efficient financial arrangements;
 - provide effective income collection and payment systems;
 - advise on treasury management and cash flow management, pensions and trust funds; and
 - advise on the safe custody of assets, including risk management and insurance.
- 7.3 The Council therefore needs an appropriately organised Finance function, which meets these requirements by:
- Defining a corporate financial management framework within which the Council should operate;
 - Monitoring adherence to the rules, policies and procedures set out in the corporate framework; and
 - Providing financial information, advice and support to members, officers and staff to help the Council deliver services and meet its objectives.
- 7.4 To achieve this, the Finance function needs to:
- Be appropriately structured;
 - Have clearly defined roles and responsibilities;
 - Be customer focused with effective relationships inside and outside the Council;
 - Have documented rules, policies and procedures which are communicated;
 - Have adequate resources with appropriate skills and capabilities;
 - Use efficient and effective systems to record transactions and from which to provide information;
 - Have effective performance management arrangements to meet its own targets in line with the Council's priorities; and most importantly
 - Have clear direction and effective management to achieve the above.

Our approach

7.5 Our observations are based on:

- a series of workshops with finance staff in each directorate; and
- a survey of finance staff (Appendix I).

Key messages

- The need for clear direction and effective management;
- A Finance function which is focused on financial planning and ensuring adequate internal financial controls are in place, where currently the emphasis has been on financial planning to the detriment of financial systems and controls;
- Adequate monitoring of the extent to which financial rules, policies and procedures are being adhered to;
- A need for comprehensive documented procedures to which all directorates work to;
- Committed staff but poor morale;
- A culture which seeks to respond positively but needs to challenge more;
- Budget holders generally feel well supported by local finance teams (although there is a suggestion of possible capacity issues in the Social and Health Care and Learning and Culture directorates); and
- Staff have annual appraisals, personal and team objectives but are not performance managed.

Observations

7.6 The diagram below sets out our observations drawn from a series of workshops and a staff survey against the identified criteria for an effective finance function, 'fit for purpose' and which meets the needs of the business.

Table 7: A Finance Function 'fit for purpose'

Structure	Resources	Motivation and Morale
<ul style="list-style-type: none"> Prolonged restructuring exercise still to be agreed. The role of posts within the new structure must be clear and explicit Wide span of responsibility for Assistant Head of Finance (Accountancy) Structure for MIS does not appear predicated on a clear vision 	<ul style="list-style-type: none"> Finance function has 200 staff. Additional resource of £600k. Corporate, SS&H and L&C strengthened Lacked capacity in key role of chief accountant for prolonged period of time 	<ul style="list-style-type: none"> Committed staff but poor morale across finance function - particularly evident in S&HC and corporate finance The focus on financial planning means several administrative functions within corporate finance do not feel 'they belong'
Roles and Responsibilities	Skills and capabilities	Relationships
<ul style="list-style-type: none"> Staff survey indicates the majority of staff (92%) have relevant up-to date job descriptions are clear about their role (70%) and are clear whom they report to (97%) Job descriptions for the Senior Finance Managers in each directorate needs to be agreed with relevant Director and Head of Finance Role and responsibilities of corporate and directorate finance teams need to be set out 	<ul style="list-style-type: none"> Skills and capabilities vary between directorates based on the numbers of staff qualified, part qualified and training 	<ul style="list-style-type: none"> Workshops suggested scope for better understanding of each others priorities - between corporate finance and the directorate finance teams Non-finance staff found corporate finance staff helpful and felt well supported by local finance team (although S&HC and L&C felt there were capacity issues)
Management and Leadership	Culture	Performance Management
<ul style="list-style-type: none"> Workshops indicated the desire for clearer leadership, direction and focus on several levels: <ul style="list-style-type: none"> For the Finance function as a whole Strategic Finance Managers in each directorate require clear corporate framework within which to operate S&HC directorate which has lacked consistent management arrangements (several recent senior appointments made) 	<ul style="list-style-type: none"> Workshops indicated a culture which seeks to respond positively but needs to challenge more (although perceived to be a Council wide issue) 	<ul style="list-style-type: none"> Objectives and targets set out for the Finance Function in Financial Services Plan BUT this relates to Corporate finance function and not finance teams within directorates Staff survey indicates the all staff (100%) have annual appraisals with personal (87%) and team targets (70%) set BUT Staff would like more systematic feedback on performance Finance function targets are not monitored and reported
Statutory Requirements	Rules, Policies & Procedures	Systems
<ul style="list-style-type: none"> Accounts qualified, SAS 610 issues Inadequate accounts and grant working papers Not meeting statutory deadlines 	<ul style="list-style-type: none"> Finance Regulations need to be enhanced to cover main principles and processes-where currently list of roles and responsibilities Staff Survey indicated lack of documented procedures for most functions and processes (only 40% of staff had procedures for their area of work) 	<ul style="list-style-type: none"> SAP not meeting financial requirements (commitments, reporting) Multiple systems in operation to support budget monitoring and reporting Serious internal control weaknesses in main accounting systems, and in local systems (SS&HC)
	Communication	
	<ul style="list-style-type: none"> Workshops recognised need for better communication between corporate finance and directorate finance teams and in conveying information to non-finance staff Scope to improve effectiveness of various meetings (SFG, FMT and MIS groups) -clear purpose, right people, decisions made and action taken 	
	Training	
	<ul style="list-style-type: none"> Staff survey indicated 62% of staff had had some form of training in last 18 months, but only 28% have ever had customer care training Accountancy trainee scheme fallen into abeyance 	

Conclusions

- 7.7 The Council has restructured to create a corporate approach with clear priorities. The Finance function now needs to be properly structured, resourced and led so that it can help the council succeed in its new approach.

Recommendations

- 7.8 We recommend that the new Head of Finance:
- Set out a vision for the Finance function in the context of what the Council is trying to achieve;
 - Agrees values and common purposes which encourage empowerment and moves staff to being proactive and not just reactive;
 - Produces a strategy to deliver the vision with a clear direction of travel and how it will be achieved including:
 - producing a structure chart setting out contact points for the different functions and communicating these to directorates;
 - putting in place effective performance management arrangements for the Finance function, including the monitoring and reporting of performance targets;
 - producing an annual timetable for the Finance function of key activities and events; and
 - setting out respective roles and responsibilities of corporate and directorate finance teams.
 - Reviews and finalises the Finance structure having regard to:
 - Identifying resource and skill requirements (focusing on solving the problems rather than adding more resource);
 - The need for Infrastructure and Corporate Standards posts;
 - A clear vision of MIS support needs in the short, medium and longer term; and
 - Review spans of responsibility.
 - Agrees job descriptions for the Senior Finance Managers in each directorate with relevant Director;
 - Identifies a finance vision for SAP setting out the requirements and an action plan with the aim of SAP becoming the Council's management information system from which all finance information is reported;
 - Expands the Council's Finance Regulations to cover key principles and processes;
 - Documents business processes and develops standardised procedures which are communicate to all staff;
 - Defines how delegated Strategic Finance Managers should discharge their S151 duties;
 - Puts in place arrangements to monitor the application of the Council's financial rules, policies and procedures;
 - Produces a financial management handbook
 - Produces a corporate budget manual for cost centre managers;
 - Develops a corporate training programme covering all aspects of the financial cycle;
 - Carries out a training needs assessment and produces a training plan for the Finance function;
 - Reintroduces finance trainee scheme; and
 - Ensures qualified staff meet continuing professional development requirements as prescribed by their governing bodies; and
 - Reviews current meetings and standing groups for relevance and effectiveness. Establishes new arrangements as appropriate with an emphasis on the right people meeting at the right time with clear terms of reference and use of monitored action plans to achieve objectives.

Appendix A - Letter of Engagement

RSM Robson Rhodes

30 July 2004

Mr J Jackson
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

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Hemel Hempstead HP2 4TN
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Our Ref: DW/pc/PD/mj
Your Ref:

Dear Mr Jackson

LETTER OF ENGAGEMENT FOR A REVIEW OF FINANCIAL MANAGEMENT AT OXFORDSHIRE COUNTY COUNCIL ("the County Council")

This letter sets out our understanding of your instructions to us in connection with undertaking a review of financial management at the County Council.

The attached Terms and Conditions of Business form part of and should be read in conjunction with this engagement letter. They form part of our contract with you.

The following amendments to the said Terms and Conditions of Business have been agreed:

1. The words "shall use best endeavours to" shall be inserted after the word "You" at the beginning of clause 6.2.
2. Clause 8 shall be deleted in its entirety and replaced with the following:

"RSM Robson Rhodes LLP shall not seek any publicity or respond to press enquiries relating to the Services without your prior consent."

3. The reference to "three years" in clauses 12.2.1 and 12.2.2 shall be replaced with "six years".

Scope of Work

The scope of our work is as detailed in the Council's letter to us under the heading "Terms of Reference dated 30 April 2004, a copy of which is attached for ease of reference. In summary, the Council requires that all aspects of the financial management of the authority be reviewed to ensure that:

- there is a corporate approach to finance across the authority;
- financial management standards are in line with best practice;
- the management of Internal Audit is effective;
- the financial management of capital projects is integrated and effective; and
- the Finance function has appropriate management and leadership skills.

RSM Robson Rhodes LLP is a limited liability partnership and is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

RSM Robson Rhodes LLP is registered to carry on audit work by the Institute of Chartered Accountants in England & Wales and is regulated and authorised by the Financial Services Authority for investment business.

Offices at: Birmingham, Bristol, Cambridge, Dublin, Edinburgh, Leeds, London, Manchester.
Registered office: 186 City Road, London EC1V 2NU at which a list of members may be inspected.
Registered in England and Wales No. 0C304188




INVESTOR IN PEOPLE

Agreement of terms

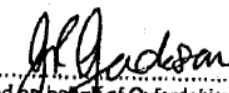
We trust the terms of engagement set out in this letter are acceptable to you. We would be grateful if, after reading this letter, you will confirm your agreement to its terms by countersigning and returning the duplicate copy enclosed. When it has been signed, this letter will remain effective until it is amended or replaced.

Yours faithfully,



For and on behalf of RSM ROBSON RHODES LLP

On behalf of Oxfordshire County Council, agreement to the terms of this letter is confirmed


Signed on behalf of Oxfordshire County Council
Position Director for Resources
Date 30 July 2004

Appendix B – CIPFA Financial Management Model: Best Practice Standards

Styles	Securing Stewardship	Supporting Performance	Enabling Transformation
Dimensions			
Leadership	L1 - There is a clear framework of financial accountability throughout the organisation.	L3 - The organisation has developed financial management policies to underpin sustainable finances, and reviews performance against them.	L6 - Financial management and governance arrangements encourage wide-ranging input to develop future goals and customer focus.
	L2 - The organisation plans how resources are allocated to different services and activities and monitors that money is spent accordingly.	L4 - The corporate business plan is integrated with financial planning and influences resource allocation.	L7 - Financial management strategies are based on present and future business needs. They support the change agenda and a culture of innovation, improvement and development, balancing control and flexibility.
		L5 - Financial management supports strategic decision making and performance management.	L8 - The organisation is ambitious in its strategic goals and realistic in its delivery plans.

<div> <div>Styles</div> <div>Dimensions</div> </div>	Securing Stewardship	Supporting Performance	Enabling Transformation
People	P1 - The need for financial competencies is identified and met.	P3 - Managers know when and how to access financial advice.	P6 - Financial literacy is diffused throughout the organisation.
	P2 - There are sufficient skilled finance staff to meet business needs.	P4- There are active efforts to equip the organisation with the financial management competencies it needs to realise its goals.	P7 - The organisation develops and sustains its capacity to enable financial management to shape and support its transformational programme.
		P5 - Finance staff have the skills to analyse financial issues and offer options and advice.	
Processes	PR1 - There are proper arrangements for internal control.	PR12 - A medium term financial planning process sustains business and financial performance.	PR15 – Financial management processes support the change agenda.
	PR2 - Proper arrangements are in place to identify and manage key business risks.	PR13 - Value for money is the responsibility of all managers and finance staff.	PR16 – Internal financial processes are radically re-engineered when appropriate
	PR3 - Proper arrangements are in place to prevent and detect fraud and corruption.	PR14 – Procurement processes deliver value for money.	
	PR4 - There are proper arrangements for provision of internal audit.		

Styles	Securing Stewardship	Supporting Performance	Enabling Transformation
Dimensions			
	PR5 - Budgets are soundly based.		
	PR6 - Managers are accountable for managing their budgets.		
	PR7 - Budget monitoring and forecasting reports ensure 'no surprises' and inform active budget management.		
	PR8 - There are proper arrangements in place for partnership working.		
	PR9 - Financial information systems meet users' needs.		
	PR10 - Financial accounting and reporting meet regulatory and professional standards.		
	PR11 - Specialist financial services (e.g. creditor payments, income collection, payroll, pensions administration and cash management) are accurate, timely and efficient.		
Stakeholders	S1 - There is confidence in the integrity of the organisation's financial conduct.	S3 - There is public confidence that the organisation delivers value for money.	S5 - Internal financial services are organised to give customers a value added service.
	S2 - Customers/service users are given clear information about financial services and are treated consistently.	S4 - There is equity in the treatment of customers/service users of financial services.	S6 - Financial services to the public and internally are customer focused.

Styles	Securing Stewardship	Supporting Performance	Enabling Transformation
Dimensions			
			S7 - Customers and service users can bring influence to bear on key financial management policies, including resource allocation and tax decisions.
			S8 – Financial services are user centred and there is individualised treatment of customers.
Results	R1 – The evidence shows the organisation performs well on stewardship.	R2 – The evidence shows that financial management contributes to the organisation's performance.	R3 – The evidence shows that financial management contributes to and supports the organisation's transformational capacity.

Appendix C - Financial Systems Key Controls

TANGIBLE FIXED ASSETS – PROPERTY

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Receipt of income and investigation of income not received Asset management records/stock condition survey Maintenance and review of title deeds
Propriety	<ul style="list-style-type: none"> Disposals made reported to relevant committees, with approval where appropriate
Completeness	<ul style="list-style-type: none"> Committee review variances against the capital program monitoring the split of revenue to capital Periodic property reconciliation (numbers) There is a detailed capital program against which all additions are monitored. Any variances are investigated and explanations recorded. Reconciliation of Fixed Asset register to the Financial Ledger.
Rights & Obligations	<ul style="list-style-type: none"> Periodic check of lenders' confirmation of mortgages Receipt of income and investigation of income not received. Maintenance and review of title deed registers
Valuation	<ul style="list-style-type: none"> Valuation every Five years Impairment review at Senior and appropriately qualified level Review of the UEL of assets at senior and appropriately qualified level

TANGIBLE FIXED ASSETS - PROPERTY

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Periodic review of asset registers, including physical check
Propriety	<ul style="list-style-type: none"> Disposals made reported to relevant committees, with approval where appropriate
Completeness	<ul style="list-style-type: none"> Committees review variances to budget on all spend, monitoring the split of revenue to capital Asset registers reconciled to nominal ledger
Rights & Obligations	<ul style="list-style-type: none"> Maintenance of ownership documents
Valuation	<ul style="list-style-type: none"> Annual valuation, reviewed at Committee level Impairment review at senior and appropriately qualified level

STOCK

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Periodic independent stock checks Reconciliation of the stock system to the financial ledger
Completeness	<ul style="list-style-type: none"> Managements review of stock Write off/wastage are authorised in accordance with Financial Regs/Standing orders Stores are physically secure Stock checks
Rights and obligations	<ul style="list-style-type: none"> Management review
Valuation	<ul style="list-style-type: none"> Management review

DEBTORS AND REPAYMENTS

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Management review of debtors, and income, against budget and knowledge. Reconciliation debtors control accounts.
Completeness	<ul style="list-style-type: none"> Management review of debtors, and income, against budget and knowledge. Reconciliation of debtors system to the financial ledger
Rights & Obligations	<ul style="list-style-type: none"> Management review of debtors, and income, against budget and knowledge. Reconciliation of rent postings and cash
Valuation	<ul style="list-style-type: none"> Management review of debtors, and income, against budget and knowledge.

INVESTMENT LONG & SHORT

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Funds are only invested in approved investments sources. The approved investments are regularly reviewed by management All investments are made in writing and are authorised All transactions are authorised by CFO Investment reconciliations are undertaken independently from cash and bank reconciliations
Completeness	<ul style="list-style-type: none"> As above Regular management review of title
Rights & Obligations	<ul style="list-style-type: none"> Confirmation of accounts, receipt of income and investigation of income not received.
Valuation	<ul style="list-style-type: none"> Regular independent review of investment position via confirmation of balances

CASH AND BANK

Assertion	Key controls
Existence	<ul style="list-style-type: none"> FD/Head of Finance knowledge Committee review of monitoring reports Management review of exceptional items
Completeness	<ul style="list-style-type: none"> Committee/SMT review variances to budget on all income Committee/SMT review balance sheet in detail and investigate changes HOF review of bank recs
Rights & Obligations	<ul style="list-style-type: none"> Committee review against Treasury Management policy & financial Regulations
Valuation	<ul style="list-style-type: none"> Management rely on banks' advice Reliance on independent confirmation as to the valuation

BORROWING SHORT & LONG TERM

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Committee/SMT review of capital program and financing arrangements New loan are authorised by the CFO
Completeness	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all income Committee/SMT review balance sheet in detail and investigate changes
Rights & Obligations	<ul style="list-style-type: none"> Periodic confirmation of account balances requested from lenders, and reconciled to ledger records
Valuation	<ul style="list-style-type: none"> Committee rely on lenders' advice

CREDITORS, ACCRUALS, DEFERRED INCOME

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend.
Completeness	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend. Management review of all exceptions based on predetermined amounts Reconciliation on a monthly basis between creditors system and financial ledger Suppliers statements are checked to accounts payable records (unless compensating control in system completes task already)
Rights & Obligations	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend. Management review of FRS 12
Valuation	<ul style="list-style-type: none"> Committees /SMT review variances to budget on all spend.

CONSOLIDATED REVENUE ACCOUNT - INCOME

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Committees/SMT review variances of actual income received to budgets and contracts. Explanations are recorded Regular reconciliation of income system to the financial ledger
Completeness	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all income
Valuation	<ul style="list-style-type: none"> Receipt of income and investigation of income not received. Committees/SMT review variances to budget on all income

CONSOLIDATED REVENUE ACCOUNT – EXPENSES

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Committees//SMT review variances to budget on all spend and explanations are recorded
Completeness	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend Regular reconciliation of the expenditure system to the financial ledger
Valuation	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend

PAYROLL EXPENDITURE

Assertion	Key controls
Existence	<ul style="list-style-type: none"> Committees/SMT review variances to budget on all spend
Completeness	<ul style="list-style-type: none"> Payroll is reviewed and authorized prior to release. Significant variations in gross pay per month are investigated and recorded. Management review of exceptions (payments over a set level per month, urgent / manual payments) Reconciliation between payroll system and financial ledger on a monthly basis.
Valuation	<ul style="list-style-type: none"> Budget nominal rolls are circulated to budget managers and positive confirmation obtained of the appropriateness of posts and costs charged to their budgets.

PENSIONS

Assertion	Key controls
Existence	<ul style="list-style-type: none"> There is management review of exceptions based on pre determined amounts
Completeness	<ul style="list-style-type: none"> There is regular reconciliation of the pensions system to the Financial Ledger Brokers reports are regularly reconciled to the pension system and variances investigated
Valuation	<ul style="list-style-type: none"> There is regular process for circularisation
Rights and obligations	<ul style="list-style-type: none"> Title to investment and the value of investment are inspected on a periodic basis

NOMINAL LEDGER

Assertion	Key controls
Completeness	<ul style="list-style-type: none"> Brought forward balances are verified as brought forward correctly. Only authorized staff can update the ledger from feeder systems.
Rights & Obligations	<ul style="list-style-type: none"> All journals are reviewed and authorized prior to posting, and the system prevents the posting of one-sided entries.
Valuation	<ul style="list-style-type: none"> Suspense accounts are reviewed and cleared on a regular basis.
Reporting	<ul style="list-style-type: none"> Control accounts are reconciled on a regular basis. Committees/SMT review variances to budget on all spends

Appendix D - Audit Committee Best Practice: A Sector Comparison

No	Sectors	Oxfordshire CC	Local Govt.	Health	Education	Housing	Private sector
1	Do they have a separate audit Committee	No	Yes	Yes	Yes	Yes	Yes
2.	Size of Audit Committee	9+3 co-opted	3-8	3	3-8	4-8	2-4
	Audit Committee Chair background	Until recently Deputy Leader of Council with numerate background	Formal background	Formal background	Governance/legal + understanding	Financial/legal background	Non-Exec with financial background
	Audit Committee Membership	Political split plus ability to challenge rather than audit/accountancy skills	Political split	Non-Exec	Non-Exec	Non-Exec + Co-opt financial background	Non-Exec
	Typically how often does Audit Committee meet in a year	Best Value Committee = 9 times (audit matters discussed at 8 of the 9 meetings)	4-6	4	3-4	4	3-4
3.	Are Audit Committee meetings held in public/private/public with private sessions	Public	Public + Part 2 Private	Private + minutes to Board are Public	Private	Private	Private
5.	Does Audit Committee Chair ever meet with Internal Audit or External Audit without management present?						
	Internal Audit External Audit	No No	Yes Yes	Yes Yes	Yes Yes	Yes Yes	N/A Yes
10.	Is Internal Audit present at all Audit Committee meetings?	Yes	Yes	Yes	Yes	Yes	N/A - typically no Internal Audit function
11.	Is External Audit present at all Audit Committee meetings?	No	No	Yes	No	No	3 of 4 meetings

No	Sectors	Oxfordshire CC	Local Govt.	Health	Education	Housing	Private sector
12.	What reports does the Audit Committee receive from Internal Audit? Audit Plan All Reports Progress Reports Annual Report	 Yes No Limited No	 Yes No Yes Yes	 Yes No Yes Yes	 Yes No Yes Yes	 Yes Yes Yes Yes	 N/A – typically no Internal Audit function
13.	What reports does the AC receive from External Audit? Audit Plan Interim Reports Annual Audit Letter SAS 610 Report	 Yes No Yes Yes	 Yes Yes Yes Yes	 Yes Yes Yes Yes	 Yes Yes Yes Yes	 Yes Yes Yes Yes	 Yes Yes Yes Yes
15.	Does the Audit Committee review the performance of internal audit?	No	Sometimes	Yes	Sometimes	Yes	N/A
16.	Does the Audit Committee review its own performance	No	No	Yes	FE Colleges Yes	No	No
	Do Audit Committee Members typically receive training for their role?	No	No	No	No	No	Access to training and advice

Appendix E - Audit Committee Information Requirements

A list of the suggested minimum information requirements, which should be provided to the Audit Committee

- For each meeting:
- A report summarising any significant changes to the organisation's Risk Register
- A progress report from the Head of Internal Audit summarising:
- Work performed (and a comparison with work planned) with key performance indicators
- Key issues emerging from Internal Audit work
- Management response to audit recommendations
- Changes to the Periodic Plan
- Any resourcing issues affecting the delivery of Internal Audit objectives
- A progress report from the External Audit representative summarising work done and emerging findings.

As appropriate:

- Proposals for the Terms of Reference of Internal Audit
- The Internal Audit Strategy
- The Head of Internal Audit's Annual Opinion and Report
- Quality Assurance reports on the internal audit function
- The draft accounts of the organisation
- The draft Statement on Internal Control
- A report on any changes to accounting policies
- External Audit's management letter
- A report on any proposals to tender for audit functions

Appendix F - Key Questions the Audit Committee Should Consider

On the strategic processes for risk, control and governance:

- How is the organisational risk management culture generated, and is it appropriate?
- Is there a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
- Is the Risk Register an appropriate reflection of the risks facing the organisation?
- Is appropriate ownership of risk in place?
- How does management know how effective internal control is?
- Is risk management carried out in a way that really benefits the organisation or is it treated as a box ticking exercise?
- Is the organisation as a whole aware of the importance of risk management and of the organisation's risk priorities?
- Does the system of internal control provide indicators of things going wrong?
- How meaningful is the annual 'Statement on Internal Control' (SIC) and what evidence underpins it?
- Does the SIC appropriately disclose action to deal with material problems
- Have the implications of the results of the effectiveness review been discussed by the Executive?

On the planned activity and results of both internal and external audit:

- Is the Internal Audit strategy appropriate for delivery of a positive reasonable assurance on the whole of risk, control and governance?
- Will the periodic audit plan achieve the objectives of the Internal Audit strategy, and in particular is it adequate to facilitate a positive, reasonable assurance?
- Does Internal Audit have appropriate resources, including skills, to deliver its objectives?
- Are there any issues arising from management not accepting Internal Audit recommendations and are agreed internal audit recommendations appropriately actioned?
- What assurance is there about the quality of Internal Audit work?
- Is there appropriate co-operation between the internal and external auditors?

On the accounting policies, the accounts, and the annual report of the organisation:

- Do the accounting policies in place comply with relevant requirements – legislation, guidance, standards and codes?
- Has there been due process in preparing the accounts and annual report and is that process robust?
- Have the accounts and annual report been subjected to sufficient review by management and the Executive?
- When new or novel accounting issues arise how is appropriate advice on accounting treatment gained?

- Is there an appropriate anti-fraud and corruption policy in place and are losses suitably recorded?
- Are suitable processes in place to ensure accurate financial records are kept?
- Are suitable processes in place to ensure fraud is guarded against and regularity and propriety is achieved?
- Does financial control, including the structure of delegations, enable the organisation to achieve its objectives with good value for money?
- Are there any issues likely to lead to qualification of the accounts?
- If the accounts have been qualified, is appropriate action being taken to deal with the reason for qualification?
- Are issues raised by the External Auditors given appropriate attention?

On the adequacy of management response to issues identified by audit activity:

- Are agreed procedures in place for monitoring progress with the implementation of recommendations?
- If management reject audit recommendations which the auditors stand by, are suitable resolution procedures in place?

On assurances relating to the corporate governance requirements for the organisation:

- Is the range of assurances available sufficient to facilitate the drafting of a meaningful Statement on Internal Control?
- Do those producing the assurances understand fully the scope of the assurance they are being asked to provide and the purpose to which it will be put?
- What mechanisms are in place to ensure the assurances are reliable?
- Are the assurances 'positively' stated (i.e. premised on sufficient relevant evidence to support them)?
- Do the assurances draw out material weaknesses or losses which should be addressed?
- Does the Statement on Internal Control realistically reflect the assurances?

On the work of the Audit Committee itself:

- How does the Audit Committee know if it is being effective in achieving its terms of reference and adding value to corporate governance and control systems of the organisation?
- Is the Audit Committee content that it has the appropriate skills mix?
- Is the Audit Committee content with its level of understanding of the purpose and work of the organisation?
- Is the Audit Committee content that it has sufficient time to give proper consideration to its business?
- Is the Audit Committee content that it is avoiding any conflict of interest?
- Is there evidence of the Audit Committees advice having an impact on the organisation?

Appendix G - Possible Contents of the Internal Audit Annual Evaluation Report

- Period covered by the review
- Status of the Internal Audit Function
- Reporting lines
- Accountability
- Access to the Board and audit committee
- Confirmation of access to information, people and records
- Role and remit of internal audit within the organisation
- Adequacy of resources to provide the role and remit set
- Evaluation criteria
- Scope and extent of coverage
- Skills and capability of staff
- Exercise of due professional care
- Understanding of the organisation, its objectives, key processes and risks
- Interaction with key stakeholders
- Quality of planning, supervision, review and documentation
- Quality of working papers and evidence
- Quality and reliability of opinions and recommendations
- Review of management response to internal audit's opinions and recommendations
- Observations, action plan and timescales for implementation
- Conclusion on the effectiveness of the internal audit function

Appendix H - Audit Committee: Self-Assessment Checklist

Priority Key 1 = **must do**
 2 = **should do**
 3 = **good practice**

Priority	Issue	Yes/No/N/A	Comments/Action
COMPOSITION, ESTABLISHMENT AND DUTIES			
1	Does the Audit Committee have written terms of reference that adequately and realistically define the Committee's role?		
1	Have the terms of reference been adopted by the Council?		
2	Are the terms of reference reviewed annually to take into account governance developments and the remit of other committees within the organisation?		
1	Has the Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?		
2	Are changes to the Committee's current and future workload discussed and approved at Executive level?		
1	Does the Committee report regularly to the Executive?		
2	Are members, particularly those new to the Committee, provided with training?		
2	Does at least one Committee member have a financial background?		
COMPLIANCE WITH THE LAW AND REGULATIONS GOVERNING LOCAL AUTHORITIES			
3	Does the Committee have a mechanism to keep it aware of topical, legal and regulatory issues, where relevant?		
INTERNAL CONTROL AND RISK MANAGEMENT			
2	Has the Committee formally considered how it integrates with other committees that are reviewing risk e.g. Corporate Governance Scrutiny Committee?		
2	Has the Committee been briefed on its assurance responsibilities with regard to internal control and risk management?		
2	Has the Committee reviewed whether the reports it received are timely and have the right format and contents to ensure its internal control and risk management responsibilities are discharged?		
2	Is there clarity over the timing and content of the assurance statements received by the Committee from the Head of Internal Audit?		

INTERNAL AUDIT			
1	Do formal terms of reference exist defining Internal Audit's objectives, responsibilities and reporting lines?		
1	Does the Committee review and approve the Internal Audit plan at the beginning of the financial year?		
2	Are audit plans derived from clear processes based on risk assessment?		
1	Does the Audit Committee receive periodic reports from the Head of Internal Audit?		
2	Does the Committee monitor follow up audits?		
1	Does the Head of Internal Audit have a direct line of reporting to the Committee and its chairman?		
2	Are any scope restrictions placed on Internal Audit and, if so, what are they and who establishes them?		
2	Is Internal audit free from any operating responsibilities or conflicts of interest that could impair its objectivity?		
2	Has the Committee determined the appropriate level of detail it wishes to receive from Internal audit?		
2	Does the Committee hold periodic private discussions with the Head of Internal Audit?		
2	Does the Committee review the adequacy of staffing and resources within Internal Audit?		
3	Has the Committee agreed a range of Internal Audit performance measures to be reported on a routine basis?		
2	Is there appropriate cooperation with the External Auditors?		
3	Are there any quality assurance procedures to confirm whether the work of the Internal Auditors is properly planned, completed, supervised and reviewed?		
EXTERNAL AUDIT			
1	Does the External Auditors present their audit plans and strategy to the Committee for approval?		
2	Has the Committee satisfied itself that the Performance Audit programme is adequate and appropriate?		
2	Does the Committee receive and monitor actions taken in respect of prior years Performance Audit work?		
1	Does the Committee review the External Auditor's annual audit letter?		
2	Does the Committee hold periodic private discussions with the External Auditor?		
2	Does the Committee assess the performance of External Audit?		
ANNUAL ACCOUNTS			
1	Is the Committee's role in the approval of the annual accounts clearly defined?		
2	Is a Committee meeting scheduled to discuss proposed adjustments to the accounts and issues arising from the audit?		
3	Does the Committee annually review the accounting policies of the organisations?		

ADMINISTRATIVE ARRANGEMENTS			
2	Does the Committee have a plan of matters to be dealt with over the coming year?		
2	Are papers circulated in good time and are minutes received as soon as possible after the meetings?		
2	Does the Committee meet the appropriate number of times to deal with planned matters?		
2	Are Committee papers distributed in sufficient time for members to give them due consideration?		
2	Are Committee meetings scheduled prior to important decisions being made?		
2	Is the timing of Committee meetings discussed with all the parties involved?		
OTHER ISSUES			
3	Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and the benefits?		
2	Does the Committee assess its own effectiveness periodically?		

Appendix I - Finance Staff Survey

Survey questions	Central Finance	Devolved Directorates				Finance Function
	Resources	Community Safety	Environment & Economy	Learning and Culture	Social and Health Care	Overall Total
Percentage of staff who are clear about their roles and responsibilities	89%	100%	100%	87%	92%	70%
Percentage of staff who have an up to date job description which reflects their roles and responsibilities	74%	67%	45%	80%	83%	92%
Percentage of staff that are clear about who they report to?	95%	100%	100%	93%	100%	97%
Percentage of staff who have comprehensive procedures covering their role and specific duties	50%	33%	55%	27%	50%	40%
Percentage of staff who have annual appraisals	100%	100%	100%	100%	100%	100%
Percentage of staff with clear work and personal objectives	84%	100%	100%	87%	73%	87%
Percentage of staff who have team objectives/targets	89%	100%	100%	100%	58%	70%
Percentage of staff who say they receive regular feedback on their performance	68%	100%	73%	73%	58%	88%
Percentage of staff who have received training in the last 18 months besides SAP training	63%	67%	55%	73%	50%	62%
Percentage of staff who have received customer care training	46%	0%	55%	13%	25%	28%
Percentage of staff that have links with central finance and vice versa.	79%	67%	55%	87%	42%	63%
What forms of communications exist between central and devolved finance teams?	Formal: Finance Forum, SFG, FMT, MIS, SAP meetings Informal: Requests to complete corporate processes, information provided to corporate finance, day to-day tasks, Govt. returns, accounts, grant claims.					

Appendix J - Interviews and Workshops

Members

Keith Mitchell, Leader of the Council

Liz Brighthouse, Leader of the Opposition

Dermot Roaf, Deputy Leader of the Council

Bob Johnston, Corporate Governance

Charles Shouler, Scrutiny Committee Members

Best Value and Audit Committee

Chief Officers

Richard Shaw, Chief Executive

John Jackson, Director of Resources

Charles Waddicor, Director of Social and Healthcare

Keith Bartley, Director for Learning and Culture

Richard Dudding, Director of Environment and Economy

John Parry, Director for Community Safety

Heads of Service

Chris Gray, Head of Finance

Peter Clarke, Head of Legal Services

Mike Simm, Head of Community Safety

Lorna Brown, Head of Social Care for Adults

Nick Welch, Head of Partnerships and Planning

Nigel Strick, Head of Trading Standards

David McKibbin, Head of Roads and Transport

Neil Monaghan, Head of Property

Business Managers

Robert Capstick, Business Manager (Learning and Culture)

Hugh McGarel-Groves, Business Manager (Social and Healthcare)

Paul Gerrish, Business Manager (Environment and Economy)

Mike Smyth, Business Manager (Community Safety)

Chris Mitchell, Business Manager (Resources)

Officers

Evelyn Kaluza, Risk Manager

Keith Bellew, Chief Internal Auditor

Jenny Hydari, Assistant Head of Finance

Sean Collins, Assistant Head of Finance

Mike Petty, Strategic Financial Planning Manager (Environment and Economy)

Maureen Elliott, Strategic Finance Manager (Environment and Economy)

Matthew Bowmer, Strategic Finance Manager (Learning and Culture)

Brian Causby, Strategic Finance Manager (Community Safety)

Nicola Roberts, Strategic Finance Manager (Social and Healthcare)

John Bull, Audit Manager (Audit Commission)

Workshops

A series of workshops were held with:

- finance staff from each directorate;
- budget holders from each directorate.

Appendix K - Documents Reviewed

Corporate Performance Assessment

Community Strategy

Oxfordshire Plan 2003

Draft Oxfordshire Plan 2004

Council's Constitution

Raising Our Performance 2

Maximising Our Resources

Provisional Outturn Report last 3 Years

Financial Strategy

Capital Strategy

Medium Term Financial Plan Summary 2004/05 – 2007/08

Medium Term Financial Plan Detail 2003/04 – 2006/07

Budget Monitoring Reports

Financial Services Plan 2004/05 – 2007/08

Internal Audit Strategic Plan

Risk Management Protocol

Internal Audit Reports

Members Green Budget Book

Reports to Best Value and Audit Committee

External Audit Reports

Appraisal Resource Pack

Job Descriptions