

## Executive summary

### The purpose of this letter

This is our audit and inspection 'Annual Letter' for Members which is presented by the council's Relationship Manager and District Auditor.

The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

We have issued a number of separate reports during the year, which are listed at Appendix 1 for information, together with information about the fees charged. Appendix 2 sets out the scope of audit and inspection.

## Key messages

### CPA Assessment 2004

Oxfordshire County Council continues to be a fair council. This result is subject to review.

It has shown progressive improvement in the standard of its services, and most of its performance indicators are above average. Better outcomes have been delivered that people and users can see, and the council's track record in cross cutting areas such as sustainable development is improving.

The education service is highly satisfactory overall, and has increased its performance rating to three stars – the highest rating. In contrast, social care has received a decrease in overall star rating due to some slow progress in children's services.

The council's corporate capacity to improve is stronger. It has put in place many building blocks to provide the foundation for progress, including increased political stability, changed ways of working and the quality of its staff. This has helped increase its standing as a community leader and local partner.

Based on Oxfordshire County Council's current plans, the council is now well placed to improve the way it works and the services it provides to local people.

### Other performance work

The fire and rescue service has been assessed as making 'some progress' in implementing the government's modernising agenda.

Management arrangements to take forward implementation appear robust.

The council has made a good start, but recognises that it has more to do if it is to develop a best practice procurement function.

Good progress has been made in moving towards a more effective overview and scrutiny function.

Weaknesses identified as part of a review of IT security and access controls need to be addressed as part of the SAP Revitalisation Project.

The opinion on the council's BVPP was qualified on the basis that it does not currently comply with statutory guidance to include accurate BVPI values.

### Other Audit Commission inspections

The council is providing a 'good' sustainable development service which offers promising prospects for further service improvement.

Your corporate approach to community safety has improved significantly since March 2003, both in the effectiveness of partnership working and in mainstreaming community safety. However, while the direction of travel is positive, some issues remain to further improve the mainstreaming of community safety across the council.

### Social and Healthcare client finance system failures

The council has experienced significant financial control failures in its social and healthcare directorate, which have in turn exposed weaknesses in control at the corporate centre. As a result, around 30 per cent of its vulnerable clients have either been over- or under-billed for the services they have received.

Since this problem was identified the council has made substantial progress in putting things right for the future, and has taken action to be open and transparent about its failures and to learn from them in a very public way.

Looking forwards, we are satisfied that sufficient and appropriate arrangements have now been or are being introduced. If operated effectively, this should ensure robust financial control in the future. This applies both in the social and healthcare directorate, and also in terms of improved monitoring arrangements at the corporate centre.

Looking backwards, we have now issued an unqualified opinion on the council's 2003/04 accounts, which provide appropriately for estimated liabilities arising from over-billing of clients, and also the possible write-off of under-billed amounts.

Based on the information available to us at this time, we are satisfied that the council has taken all reasonable steps to address this matter effectively, and providing the council takes the actions agreed by the Best Value and Audit Committee on 19 January no further formal audit action is proposed at this time.

## Accounts

We issued a qualified opinion on the council's 2002/03 financial statements as a result of weaknesses in the Social and Health Care directorate income and collection systems.

The council has worked since then to improve overall control and we were able to issue an unqualified opinion on the council's main 2003/04 accounts on 30 November 2004.

We also issued an un-qualified opinion on the 2003/04 Pension Fund accounts on 1 November 2004.

## Financial position

Revenue balances increased in 2003/04. Based on information at the end of October 2004, the council remains on course to deliver the planned improvement to the level of revenue balances envisaged in its Medium Term Financial Plan (MTFP).

However, it currently envisages further limited calls on balances before the end of the financial year and will need to monitor this position closely.

The funding level of the pension fund continues to give cause for concern. The council is developing its future funding strategy that will

determine the level of contribution rates required to address the shortfall.

## Other governance issues

Significant weaknesses continue to exist in the council's systems of financial control, particularly within the Social and Health Care Directorate. The council has taken action to strengthen its arrangements. In particular, it has invested significantly in the overall control environment within the directorate by:

- developing detailing procedural guidance;
- ensuring staff are appropriately trained; and
- tightening its reconciliation processes.

Internal Audit does not comply with the CIPFA Code of Practice. The proposed strengthening of the internal audit function and the establishment of the audit working group are key elements of the council's response to strengthening its control environment. The priority is to maintain the momentum and ensure that the actions identified are delivered as quickly as possible to ensure an efficient and effective internal audit function.

## Action needed by the council

- Maintain your focus on identifying and rectifying errors on individual client accounts in the social and healthcare directorate.
- Complete your strategy and make a reality of your intention to introduce a best practice approach to procurement.
- Reinvigorate your approach to improving the quality of performance indicator information, especially in the social care areas identified.
- Maintain your resolve to increase general fund balances to the minimum acceptable level.
- Ensure that your increased investment actually results in much needed and sustained improvements to overall financial control.
- Maintain your focus on the improvement of internal audit and the effectiveness of your audit committee.