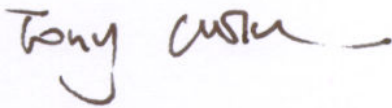


To: Members of the Audit Committee

Notice of a Meeting of the Audit Committee

Wednesday, 21 April 2010 at 11.00 am

County Hall



Tony Cloke
Assistant Head of Legal & Democratic Services

April 2010

Contact Officer: **Geoff Malcolm,**
Tel: (01865) 815904; E-Mail: geoff.malcolm@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Ray Jelf

Councillors

Alan Armitage
Roy Darke
A.M. Lovatt

Charles Mathew
Larry Sanders
C.H. Shouler

Lawrie Stratford

Co-optee

Dr Geoff Jones

Notes:

- ***Informal pre-meeting development session 'Final Accounts Briefing' at 10am (until 10:50am) in Committee Room 1***
- ***The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio***
- ***The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items***
- ***Date of next meeting: 30 June 2010***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Election of Chairman for the 2010/11 Council Year**
2. **Election of Deputy Chairman for the 2010/11 Council Year**
3. **Apologies for Absence and Temporary Appointments**
4. **Declarations of Interest - see guidance note**
5. **Minutes** (Pages 1 - 4)

To approve the minutes of the meeting held on 3 March 2010 (**AU5**) and to receive for information any matters arising from them.

6. **Petitions and Public Address**
7. **Report of the Audit Working Group - 8 April 2010** (Pages 5 - 8)

11:10

Report by Assistant Head of Finance (Audit) (**AU7**).

The report summarises the matters arising from the most recent meeting of the Audit Working Group (AWG).

The Committee is RECOMMENDED to note the report.

8. **Annual Audit & Inspection Plan - Audit 2009/10** (Pages 9 - 18)

11:30

Mary Fetigan, Audit Manager, Audit Commission will present the audit work that the Commission proposes to undertake for the 2009/10 financial year at Oxfordshire County Council and Oxfordshire Pension Fund and annual audit fees (**AU8**).

The Committee is RECOMMENDED to consider and note the proposals.

9. **Review of the Effectiveness of Internal Audit 2009/10** (Pages 19 - 26)

11:50

Report by the Monitoring Officer (**AU9**).

A commentary on the performance of the Internal Audit system throughout 2009/10.

The Committee is RECOMMENDED to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2009/10.

10. Audit Plan 2010/11 (Pages 27 - 34)

12:10

Mary Fetigan, Audit Manager, Audit Commission will present the audit work and the assessment & inspection work that the Commission proposes to undertake for the 2010/11 financial year at Oxfordshire County Council and annual audit fees (**AU10**).

The Committee is RECOMMENDED to consider and note the proposals.

11. Financial Management Action Plan (Pages 35 - 72)

12:30

Report by Chief Finance Officer (**AU11**).

The report summarises the progress made so far with the Financial Action Management Plan for review by the Committee and updates the position reported as at 23 September 2009.

The Committee is RECOMMENDED to note the progress to date, give any feedback on the monitoring report to the Chief Finance Officer and consider whether they would like to see further updates.

12. Work Programme Update/Review 2010/11 (Pages 73 - 74)

12:50

Report by Assistant Head of Legal & Democratic Services (**AU12**).

The Committee is RECOMMENDED to review / update its Work Programme 2010/11.

1:00 Close of meeting

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Thursday 15 April 2010 at 2:00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

Audit Committee

Explanation of Abbreviations and Acronyms

The following is a list of abbreviations and acronyms that have occurred in reports to the Audit Committee, or during discussions at their meetings. It is not intended to be an exhaustive list of those used throughout the Council, however it will be reviewed prior each Audit Committee Meeting and updated should new examples occur.

AC	Audit Committee: Public Committee of Oxfordshire County Council whose purpose is to provide independent assurance on the adequacy of the Councils internal control framework, including risk management, and to oversee the financial reporting process
AES	Annual Efficiency Savings
ASB	Accounting Standards Board: UK body that sets accounting standards. A subsidiary body of the Financial Reporting Council.
AGS	Annual Governance Statement: Previously referred to as the SIC , the Annual Governance Statement is published annually by the Council with its Statement of Accounts
APA	Annual Performance Assessment. Managed by Ofsted, the APA focuses on the contribution that a council's services have made in the previous year towards improving outcomes for children and young people.
AWG	Audit Working Group: An informal Member / Officer working group of the Audit Committee enable the Committee to fulfil its responsibilities effectively and to receive private briefings on any matters of concern.
BCP	Business Continuity Plan: The Council plan for managing the impact of an emergency
BCSG	Business Continuity Strategic Group: Officer based group chaired by the Monitoring Officer, tasked with providing assurance that Government Standards for business continuity management are being met.

BVACOP	Best Value Accounting Code of Practice. This code is produced by CIPFA and is recognised as the 'proper practices' required under the Local Government Act 2003. The Code provides practical guidance on all formal financial disclosures required in relation to Best Value.
BVPI	Best Value Performance Indicator: A national measure of performance, set by central government
BVPP	Best Value Performance Plan: An annual report produced by local authorities detailing current performance levels, actions of the councils, and future performance standards expected
CAA	Comprehensive Area Assessment. This comes into effect in 2008/09 and replaces the CPA as the Audit Commissions process for reviewing the effectiveness of outcomes to local people across public sector bodies
CAAL	Comprehensive Area Assessment Lead. This person works for the Audit Commission and is the primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
CCMT	County Council Management Team: Comprises of the Chief Executive, Assistant Chief Executive and all the Directors of Services
CGAG	Corporate Governance Assurance Group. Previously known as the SWG , An officer group tasked with compiling the AGS , including the development and promotion of the internal control framework, and the collation of evidence to support the Annual Governance Statement.
CGWG	Corporate Governance Working Group. This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these. It also has responsibility for reviewing the Local

	Code of Corporate Governance and to hold Officers to account.
CIPFA	Chartered Institute of Public Finance & Accounting: CIPFA has responsibility for setting accounting standards and providing professional guidance for local government.
Connexions	The Connexions Service came under the control of the County Council from April 2007; it provides information, advice and guidance for young people aged 13-19.
CPA	Comprehensive Performance Assessment: The method by which the Audit Commission assess, measure and compare the performance of Local Authorities.
CSCI	Commission for Social Care Inspectorate.
CYPF	Directorate for Children, Young People & Families
DCSF	Department for Children, Schools & Families
DSG	Dedicated Schools Grant
DoT	Direction of Travel
E & E	Directorate for Environment & Economy
ETMS	Electronic Time Management System: System used for home support activity.
FMIP	Financial Management Implementation Plan: The Financial Management Implementation Plan (FMIP) is a set of actions designed to improve financial management within Oxfordshire County Council, arising from the report by Robson Rhodes in 2004. An updated plan FMIP2 has been prepared following a follow up review by Robson Rhodes in 2005/06.
FMSiS	Financial Management Standard in Schools
FOI	Freedom of Information

FRS	Financial Reporting Standards. These are set by the Accounting Standards Board (ASB), and the Council is required to comply with these.
FSM6	The financial management system used in schools. (Please note that between April 2008 and July 2009, all schools will be moving to SAP as their financial management system.
FWT	Food With Thought. A traded service run by the Council, providing catering services to schools and council establishments.
ICC	Internal Control Checklist
IFRS	International Financial Reporting Standards. This will be the new standard of accounting practice that all Local Authorities will be required to comply with. The estimated implementation date for Local Authority compliance is currently 2010/11.
ISA260	International Standards on Auditing: The ISA 260 is the standard that requires the external auditors (KPMG LLP) to communicate audit matters of governance interest arising from their audit of the financial statements of the Council. They communicate any such matters through a formal report to the Audit Committee.
ITS	Integrated Transport Service
JAR	Joint Area Review. Managed by Ofsted, the joint area review judges the contribution that the council and its partners in the local area are making to improve outcomes for children and young people
KLoE	Key Lines of Enquiry: Defined and used by the Audit Commission to support the Comprehensive Performance Assessment (CPA) of Local Authorities
KPMG LLP	The Councils External Auditors appointed by the Audit Commission
LA	Local Authority
LAA	Local Area Agreement: Local Area Agreements are made between central and local government in a local area. Their aim is to achieve local solutions that meet local needs, while also contributing to national priorities and

	the achievement of standards set by central government. There is an Oxfordshire LAA. Targets are set and specific funding streams are obtained through the LAA.
LSP	Local Strategic Partnerships: The bringing together of key local organisations from the public, private, voluntary and community sectors to focus efforts on the issues that matter most to local people and communities. In Oxfordshire there is a countywide LSP known as Oxfordshire Community Partnership (OCP).
Monitoring Officer	This is a statutory post under Section 5 of the Local Government and Housing Act 1989, with the overarching responsibility to ensure the lawfulness and fairness of decision making in the Council.
MTFP	Medium Term Financial Plan. Updated annually, the MTFP sets out a five year forecast of resources and service spending priorities.
NFI	National Fraud Initiative. The Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies.
OCP	Oxfordshire Community Partnership: The Countywide LSP in Oxfordshire.
OFG	Operational Finance Group: This group is responsible for the implementation of policies and procedures and for the control of financial activities such as budget and yearend. It is directed by the Strategic Finance Managers Group (SFG), to which it reports its activities through its Chair, the Chief Accountant.
Ofsted	Office for Standards in Education
OSJ	Orders of St. John Care Trust
OWP	Oxfordshire Waste Partnership
PAYE	Pay As You Earn
PCT	Primary Care Trust

Project Link	This is the project in Social and Community Services to develop an integrated management system for Adult Social Care that can interface directly with the main accounting system (SAP)
PSA	Public Service Agreement
PWLB	Public Works Loan Board. This is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
QuEST	Quality Educational Services and Training: Available in schools from the Educational Effectiveness Service.
S151 Officer	A statutory post, under Section 151 of the Local Government Act 1972 held by the Head of Finance and Procurement. The S151 Officer is responsible for the proper administration of the financial affairs of the Council
SAP	SAP is the Councils key management information system, including the main accounting system.
SAP revitalisation	This is the Programme for the development of SAP required to deliver consistent, reliable and robust business management information.
Schools Forum	This is a group made up of representatives from schools and other stakeholder bodies, and includes schools Governors and Head Teachers. The remit of the group is to consider schools funding formula; contracts; financial issues; and the provision of accounts to schools.
SDLT	Stamp Duty / Land Tax
SFG	Strategic Finance Group: Officer group comprising Head and Assistant Heads of Finance and Strategic Finance Managers, with responsibility for providing advice and assurance on system of internal financial control and to specify the accounting framework and standards and the financial management requirements.

Shared Services	This is the Programme designed to bring under one umbrella HR and Finance support functions in order to provide a more efficient and effective services.
SIC	Statement on Internal Control: In accordance with the Accounts and Audit regulations 2003, the Council is required to provide an annual statement on the adequacy and effectiveness of its system of internal control.
SOLACE	Society of Local Authority Chief Executives and Senior Managers is the representative body for senior strategic managers working in the public sector. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.
SORP	Statement of Recommended Practice. These are guidance on accounting standards as defined by the Accounting Standards Board (ASB)
SWG	Statement on Internal Control Working Group: An officer group tasked with compiling the SIC, including the development and promotion of the internal control framework, and the collation of evidence to support the annual SIC Statement.
SWIFT	Management information system used by Social & Community Services.
Use of Resources	This is part of the Audit Commissions CPA assessment that focuses on financial management and the links to the strategic management of the council. It looks at how financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money.
WGA	Whole Government Accounts

Ian Dyson
Assistant Head of Finance (Audit)
Updated 24 June 2008

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AUDIT COMMITTEE

MINUTES of the meeting held on Wednesday, 3 March 2010 commencing at 11.00 am and finishing at 12.35pm

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Ray Jelf (Deputy Chairman)

Councillor Alan Armitage

Councillor Roy Darke

Councillor Tim Hallchurch MBE

Councillor Charles Mathew

Councillor Larry Sanders

Councillor Lawrie Stratford

**Non-voting
Co-optees:** Dr Geoff Jones

**Other Members in
Attendance:** Councillor Keith R. Mitchell CBE
Councillor Melinda Tilley

By Invitation: Mary Fetigan, Audit Commission

Officers:

Whole of meeting Peter Clark and Ian Dyson (Corporate Core)

Part of meeting

Agenda Item **Officer Attending**
8 Tracy Luck (Corporate Core)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

1/10 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 20 January 2010 (AU3) were approved and signed subject to the deletion of Dr Geoff Jones's name in the list of voting members.

2/10 REPORT OF THE AUDIT WORKING GROUP - 3 FEBRUARY 2010

(Agenda No. 5)

The Committee considered a report (AU5) on the following specific matters which had been considered by the Audit Working Group (AWG):

AWG4	Review of the AWG Terms of Reference
AWG5	Annual Governance Statement Process and quarterly update of the 2009 AGS Action Plan
AWG6	Risk Management Progress Report
AWG7	Internal Audit Quarterly Report – Quarter 3
AWG8	Progress report on issues arising from External Audit reports
AWG9	SAP Authorisations Project Progress Report
AWG10	Proposed Work Plan.

RESOLVED: to

- (a) note the report;
- (b) approve the Audit Working Group's terms of reference (shown at AWG4) subject to correction as follows:
 - Line 1 – deletion of the word 'of';
 - Paragraph 3, line 1 – deletion of 'deputy's' and substitution of 'deputies';
- (c) approve the AWG Work Plan for 2010/11.

3/10 AUDIT COMMITTEE ANNUAL REPORT 2009

(Agenda No. 6)

The Chairman reminded members that the Committee on 29 November 2006 had adopted a process for preparing the report to Council in respect of the Committee's performance on the implementation of its Work Programme, as follows: 'The Chairman & Deputy Chairman in consultation with the Assistant Head of Finance (Audit) to draft the report for comment by the Opposition Group Spokesman and the Chairman of the Audit Working Group and submission to the Committee.'

The Committee considered the draft report to Council (AU6) with a view to advising any changes to be made prior to its submission to Council.

Members thanked the Chairman for his work and Annual report.

RESOLVED: to endorse the Annual Report to Council 2009 (AU6) subject to:

- some textual corrections;
- updating the Audit Working Group's terms of reference in line with Agenda item 5 above; and
- updating references to the current external auditor.

4/10 INTERNAL AUDIT SERVICES-INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2010/11

(Agenda No. 7)

The Committee considered the Internal Audit Services Strategy & Annual Plan 2010/11 (AU7).

The Assistant Head of Finance (Audit) introduced the Strategy & Plan and outlined the audit planning methodology and resources including the generation of income for buying in additional audit resource to support the internal audit plan for Oxfordshire. He then responded to questions and comments including the objectives and operation of provision of chargeable services to others, the management of risk, Internal Audit's role in relation to the use from April 2010 of SAP in all Oxfordshire Schools, and governance and partnership issues.

Mr. Dyson was thanked for the Audit Strategy & Annual Plan and the user friendliness of the document and for Internal Audit's revenue raising activities.

RESOLVED: to approve the Annual Plan 2010/11.

5/10 CIPFA GUIDANCE AND SCRUTINY

(Agenda No. 8)

The Committee considered a report (AU8) which presented the current scrutiny structure, how the work programme of scrutiny committees was decided and the arrangements to ensure the CIPFA guidance was met.

The Head of Strategy introduced the paper, highlighting the background in the context of the CIPFA guidance and how it was met, the current scrutiny structure and how the work programme of scrutiny committees was decided.

Members noted that CIPFA guidance recommended that the audit committee should have clear access to scrutiny committees and be aware of the work of scrutiny committees so that it could take account of those issues relevant to its areas of interest. The Audit Committee's role should not replicate the scrutiny model but focus on the governance / control issues. The report outlined the ways in which this was currently being met. In addition, the Audit Committee invited the Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee to attend and speak on agenda items.

Ms. Luck was thanked for her report.

RESOLVED:

- (a) to receive the report; and
- (b) in order to improve links with scrutiny in terms of the adequacy of control issues, to include in its Work Programme consideration of:
 - a consolidated Scrutiny Work Programme; and
 - scrutiny annual reporting.

6/10 WORK PROGRAMME UPDATE/REVIEW 2010/11
(Agenda No. 9)

The Committee updated and reviewed its Work Programme (AU9).

RESOLVED: to adopt the Work Programme subject to:

- the addition of the scrutiny matters shown at Agenda Item 8 above;
- 21 April 2010:
bringing forward from 30 June 2010 the Annual Audit & Inspection Plan-Audit 2009/10 (Audit Commission);
and adding:
Audit Plan 2010/11 (Audit Commission)
- bringing forward from 19 January 2011 to 17 November 2010:
Annual Audit Letter 2009/10 (Audit Commission)
- deleting from 02 March 2011:
Annual Audit & Inspection Letter 2009/10.

..... in the Chair

Date of signing

AUDIT COMMITTEE – 21 APRIL 2010

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 8 April 2010.

The meeting was attended by:

Dr. Geoff Jones – Chairman; Cllr. David Wilmshurst; Cllr Ray Jelf; Cllr. Alan Armitage; Sue Scane, Assistant Chief Executive & Chief Financial Officer; Peter Clark, County Solicitor; Ian Dyson, Assistant Head of Finance (Audit); Marie Jesperson, Policy and Review Officer.

Part meeting only:

Ian Travers-Smith, County Business Continuity Officer; Sarah Cox, Audit Manager; Samantha Egerton, Principal Auditor; Paula Tansley, Interim Head of Service CYPF; Jim Leivers, Interim Head of Service CYPF; Damien Griffiths, Safeguarding Manager CYPF; Alexandra Bailey, Corporate Performance & Review Manager.

Observers: Cllr. Charles Mathew; Cllr. Charles Shouler; Cllr. Larry Sanders

AWG WORK PROGRAMME ITEMS

Deferred item:

At the last meeting the AWG reviewed the results of the half year Internal Control Checklist (ICC) process, and noted that the CYPF Directorate had an increase in the number of “room for improvement controls”. The Group requested the lead officer in CYPF attend this meeting to discuss in more detail. The Officer concerned had an annual leave commitment and was unable to attend. At the next meeting in June, the results of the second half year ICC will be presented to the AWG, it was therefore agreed to defer the invite to the next meeting subject to the results of the latest ICC.

The following agenda items raised issues to be brought to the attention of the Audit Committee.

AWG5 Early Issues for the Annual Governance Statement (AGS) and Action Plan

The paper submitted proposed that one item (Schools Support Finance), from the 2009 AGS Action Plan should be extended to the new action plan, and that three new actions should also be included; all of the items suggested related to material changes in governance processes planned for 2010 rather than weaknesses in internal control. The Group agreed the items proposed should be included in the Action Plan. A number of further possible items being considered for inclusion in the Action Plan were discussed, but more consideration by the Corporate Governance Assurance Group is needed. During this discussion, members raised concerns about certain aspects of ICT services and felt that these concerns should be brought to the attention of the Audit Committee. It was agreed that the inclusion of an item on ICT in the AGS Action Plan which could be monitored by the Group and the Audit Committee would provide the best means at this stage of progressing the concerns. It was agreed with Officers that an action be included to review the existing ICT

Service Level Agreement, ensuring that it is both relevant and transparent, and that there is clarity across the Council as to the services provided and how they are to be funded. At this stage, no precise wording or timetable has been drafted for the actions in the Action Plan. The AGS format itself is expected to be similar to previous years, based on recommended practice and highlighting all the Authority's governance arrangements. The final draft of the AGS will be presented to the Group at its June meeting for comment prior to its presentation to the Audit Committee on June 30.

AWG 7 Review of Safeguarding Children risk register

The Group welcomed the attendance of the senior officers responsible for managing safeguarding risks. This review was timely in that two recent internal audits relating to safeguarding had identified key areas of concern. The Officers presented the Group with the most recently updated risk register, and demonstrated how information such as reports from Internal Audit impact on their risk scoring. Officers also provided assurance that actions were being taken with priority to address the control issues identified.

Whilst taking some assurance from the Officers that the risk management is being performed as the process intended, the Group also noted comments from the Interim Head of Service for Children and Families, that he has been tasked with ensuring the Council manages Safeguarding with the highest priority and to the highest standards; therefore, further improvements to the control environment and the risk management process may result from his work.

The Group also raised a concern with the Officers that the two Heads of Service present were interims, and as such there is an inherent risk in using short term resources when implementing changes and maintaining continuity. The Group took some assurance from the new Director being in post, and on hearing that a very stringent recruitment process is being followed to ensure the right appointment is made to these critical posts; however, the Group also felt that on behalf of the Audit Committee it should continue to monitor the situation, and will invite the Officers back in six months to provide an update on changes to the risk register, and to the control framework.

The following items were discussed, and progress noted by the Group with no material issues or concerns arising for report to the Audit Committee:

AWG4 Business Continuity and Major Incident Reporting

This item included an update by the County Business Continuity Officer.

AWG6 Review of the Effectiveness of Internal Audit

The Monitoring Officer provided feedback on the early results of the annual survey of Senior Officers, and invited the AWG to comment on any concerns they had with Internal Audit for including in the final report to the Audit Committee on 21 April 2010.

AWG8 Risk Management Progress Report

This lead officer for Risk Management was on leave so this item was presented by his Manager, the Corporate Performance & Review Manager.

AWG9 Internal Audit Quarter 4 Progress Report

The Group considered the summary of findings from internal audits completed since January 2010.

AWG 10 Counter-Fraud Action Plan Progress Report

The Group was informed that the Senior Auditor responsible for Counter-Fraud work has just left on maternity leave. Arrangements to cover the counter-fraud workload are being discussed with Deloitte.

AWG 11 Whistleblowing Annual Report

The Group noted the report did not raise any concerns.

AWG12 Work Plan

The revised work plan for 2010/11 is attached as Appendix 1 to this report.

Please note the Chairman is unable to attend the next meeting scheduled for 3 June 2010, so a new date of 9 June is proposed.

The Committee is RECOMMENDED to note the report

SUE SCANE

Assistant Chief Executive & Chief Finance Officer
Corporate Core

Contact: Officer: Ian Dyson, Assistant Head of Finance (Audit) Tel 01865 323875
ian.dyson@oxfordshire.gov.uk

11 April 2010

**AUDIT WORKING GROUP
WORK PROGRAMME 2010/11**

2010**Thursday 3 June**

- Draft Annual Governance Statement – Samantha Egerton
- Internal Audit Progress Report – Ian Dyson
- Draft Internal Audit Annual Report – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Fairer Charging progress report – Simon Kearey / Sean Collins / Sandra Stapley
- KPMG recommendations follow-up
- CYPF Internal Control Arrangement – David Calver / Sharon Fleming

Thursday 8 September

- Internal Audit Progress Report (Including Q1 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi

Thursday 4 November

- Internal Audit Progress Report (Including Q2 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Quarterly Update AGS Action Plan – TBC

2011**Thursday 6 January**

- Annual Governance Statement Process – annual review of the assurance framework and results from the Internal Control Checklists – TBC
- Quarterly Update AGS Action Plan – TBC
- Internal Audit Quarterly Report (including Q3 performance 2010/11) – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi

Thursday 17 February

- Internal Audit Progress Report 2010/11 – Ian Dyson
- Risk Management Progress Report – Dr Imran Alvi
- Progress report on issues arising from the External Audit Reports - TBC
- Draft work programme 2010/11 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson
- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 3 February 2010

Ian Dyson, Assistant Head of Finance (Audit) 01865 323875

6 April 2010

Joanna Simons
Chief Executive
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

Direct line 0844 798 8952

— Dear Joanna

Annual Audit Fee 2009/10

Further to our more detailed planning meetings with your officers I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Oxfordshire County Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Robert Hathaway, your Comprehensive Area Assessment Lead has written to you separately on inspection fees.

The audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit and managing performance work for 2009/10 remains at £298,500 (exclusive of VAT) which compares to the planned audit fee of £309,350 for 2008/09. A summary of this is shown in the table below. The reduction in the fee from the previous year reflects overview discussions to date regarding the continued improvement.

Audit Commission, Unit 5, ISIS Business Centre, Horspath Road, Cowley, Oxford,
OX4 2RD

T 0844 798 8950 **F** 0844 798 8951 www.audit-commission.gov.uk

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	142,600	147,500
Whole of government accounts	2,600	3,050
Council Use of Resources/VFM Conclusion [including risk based work and data quality]	112,750	140,800
Fire Use of resources	22,250	17,000
Other - NFI	separate fee	1,000
Total audit fee	280,200	309,350
Managing performance	18,300	0
Total fee	298,500	309,350
Certification of claims and returns	10,000	25,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Oxfordshire County Council is £234,510. The fee proposed for 2009/10 is 19.5 per cent above the scale fee.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified by KPMG for 2008/09. A separate plan for the audit of the financial statements will be issued in May 2010. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Chief Financial Officer and Assistant Chief Executive and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion.

I have set the fee for work on the Use of Resources based on the same approach as 2008/09.

I have identified a number of risks in relation to my accounts opinion and value for money conclusion. For each risk, I consider the arrangements put in place by Oxfordshire County Council to mitigate the risk, and plan my work accordingly. My initial risk assessment is shown in the table below:

Risk	Planned work	Timing of work
Your Business at risk (YB@R)	Survey that identifies how staff are implementing IT security controls in practice	To be agreed
Review of IA	Review of the service against the CIPFA code	Late 2009/early 2010
International Financial Reporting Standards (IFRS)	overview of preparation arrangements review of material treatments as they emerge	Late 2009 as required
MTFS and efficiencies – overview of progress	Ongoing monitoring of the financial position and County approach to financial stability	Across year

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 are:

District Auditor – Maria Grindley 0844 798 8952

Audit Manager – Mary Fetigan 0844 798 8978

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Neil Childs, the Southern Head of Operations (n-childs<mailto:n-childs@audit-commission.gov.uk>).

Yours sincerely

Maria Grindley
District Auditor

cc Sue Scane, Chief Financial Officer and Assistant Chief Executive

cc David Wilmshurst, Chair of the Audit Committee

cc Mary Fetigan, Audit Manager

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Opinion Plan	June 2010
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of resources report	September 2010
Final accounts memorandum (to the Chief Financial Officer and Assistant Chief Executive)	October 2010
Annual audit letter	November 2010
Your Business at Risk survey	April 2010 for survey

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6 April 2010

Joanna Simons
Chief Executive
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

Direct line 0844 798 8952

Dear Joanna

Annual audit fee 2009/10: Oxfordshire Pension Fund

I am writing to confirm the audit work which we are undertaking for the 2009/10 financial year at Oxfordshire Pension Fund. The final fee will be based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10.

The audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated if necessary.

The Audit Commission has published its work programme and scales of fees for 2009/10. The scale fee for Oxfordshire Pension Fund is £48,600. At this stage I have kept the indicative fee for the 2009/10 audit at the scale fee.

In setting the fee at this level, I have assumed that there will be some low level of risks to address. We will revise our audit plan and the fee in the light of continuing:

- discussions with the Council;
- discussions with other Pension Fund auditors; and
- Further Audit Commission and professional guidance on Pension Fund auditing.

A revised plan for the audit of the Fund's financial statements will be issued in May 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Chief Financial Officer and Assistant Chief Executive and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit committee.

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My initial risk assessment for the audit is shown in the table below:

Risk	Planned work	Timing of work
Effects of the current economic climate on the Fund's investments and overall financial health	We will review the Fund's management and investment arrangements.	June 2010
Actuarial valuations may be very different because of the above	We will undertake work on information given to the actuary to ensure that it is correct and review the assumptions then made by the actuary.	June 2010
There may be practical and reputational issues arising from contributions from other bodies if these are not correct	We will review the Fund's calculations for contributions from other bodies	April 2010
The forthcoming changes required to comply with the requirements of IFRS accounting, and increase in disclosures.	We will review the arrangements for dealing with the new requirements and comment as appropriate.	across year

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you which the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you as appropriate.

The key members of the audit team for 2009/10 are:

District Auditor – Maria Grindley 0844 798 8952

Audit Manager – Mary Fetigan 0844 798 8978

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the South East Region Head of Operations, Neil Childs at n-childs@audit-commission.gov.uk

Yours sincerely

Maria Grindley
District Auditor

cc Sue Scane, Chief Financial Officer and Assistant Chief Executive
Cllr David Wilmshurst, Chair of the Audit Committee
Cllr David Harvey, Chair of Pension Fund Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit committee.

Table 1

Planned output	Indicative date
Audit plan	June 2010
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Final accounts memorandum (to the Chief Financial Officer and Assistant Chief Executive)	October 2010

Division(s): N/A

AUDIT COMMITTEE – 21 APRIL 2010

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2009/10

Report by the Monitoring Officer

Introduction

1. As part of the Council's assurance process for the Annual Governance Statement, and in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended in 2006, this report reviews the effectiveness of the system of internal audit undertaken by the Council.
2. At the request of the Audit Committee this review has been conducted by the Council's Monitoring Officer.
3. This report outlines the statutory requirements for the review, the methodology used, and the overall findings and conclusions. The focus of this report is primarily on the role of the Internal Audit Team; whilst the system of Internal Audit is wider than that of just the Internal Audit Team, it is encompassed within the overall Annual Governance Framework that is separately considered by the Audit Committee.
4. There are actions for improvements identified in this report that have been agreed with Assistant Head of Finance (Audit), who is taking responsibility for their implementation. It is recommended to the Audit Committee that progress on implementation should be reported to the Audit Working Group (AWG) by the AHOF (Audit) as part of the Internal Audit quarterly reports.

Background

5. The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006:

Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.

6. The Department for Communities and Local Government (DCLG) issued guidance on Regulation 6:

Review of internal audit: On the requirement for an annual review of the effectiveness of the system of internal audit and for a committee of the body to consider the findings the guidance says that this process is also part of the wider annual review of the effectiveness of the system of internal control.

7. In January 2009, the CIPFA Audit Panel produced further guidance on reviewing the System of Internal Audit, suggesting the following areas should be reviewed:
 - The process by which the control environment and key controls have been identified - the organisation's risk management system;
 - The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
 - The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
 - The operation of the audit committee and the internal audit function to current codes and standards.
8. The Audit Committee considered this on 21 January 2009 and concluded that there is duplication with the Council's Annual Governance Framework and the Use of Resources assessment, in particular relating to assurance on the risk management system, and the operation of the Audit Committee. It was therefore agreed by the Committee that the focus of its annual review of the effectiveness of the system of internal audit should focus on looking at the Internal Audit Service only. The Committee authorised the Monitoring Officer to conduct the review and report back to the Audit Committee.
9. The Audit Committee annually considers the process for reviewing the effectiveness of the system of internal audit. At their meeting on 20 January 2010, the Committee agreed the previously adopted process is still appropriate and authorised the Monitoring Officer to conduct the review and report back.

Methodology

10. The review has been conducted primarily as a desk top exercise with the collation of evidence from the Assistant Head of Finance, (Audit); by reference to Committee reports on the Councils intranet site from both Internal and External Audit; by reference to progress reports on Internal Audit presented to the Audit Working Group (attended by the Monitoring Officer); and by canvassing the views of Directors, Heads of Services and Business Managers by way of a questionnaire.

Findings

11. 2009/10 has been a year of change for the Internal Audit Team. Having established a strong reputation internally within the Council, the service has expanded its portfolio by providing internal audit services to external clients, Thames Valley Police Authority and Buckinghamshire County Council. As well as providing development opportunities for the in-house team through working with different clients, the income generation has enabled growth in the Internal Audit Team with the establishment of a Senior Auditor post leading on Fraud, and an additional Auditor post.

12. The management team remained unchanged during the year. There was one resignation of a Senior Auditor, but this post has been successfully filled through an internal promotion. The strategy over the past three years has been to develop the in-house team through professional training, and in 2009 four staff have successfully completed professional internal auditor exams, and one member of staff has successfully completed AAT exams. A Senior Auditor has also started studying for CIPFA. Whilst the strategy is clearly working, professional qualifications do require a considerable overhead in respect of non chargeable time, but the benefits of having qualified experience staff is demonstrated by the quality of work being produced and the success of in-house candidates when seeking promotion opportunities.
13. The two areas of internal audit work that have been outsourced, Schools Audits and IT Audit have been successful, with delivery of both plans achieved to a good standard, with the school auditors in particular continuing to receive excellent feedback in the post audit questionnaires.
14. In last year's report it was highlighted there had been an increase in the amount of reactive work required through the investigation of suspected fraud and financial irregularity. This year has seen a similar amount of activity in this area; however the team has identified specific resource for managing this more efficiently and effectively through establishing a post of Senior Auditor, Fraud, who supports the Audit Manager leading on Fraud. The action identified last year has not been implemented, and has therefore been repeated below, however, counter-fraud activity is now well managed and action plans established through benchmarking against the CIPFA and Audit Commission standards for managing the risk of fraud are being monitored through the AWG.

Action: The Assistant Head of Finance (Audit), (AHoF) should identify a performance target for the length of time taken between initiating an investigation and reporting on the findings, and should report on performance against the target quarterly to the AWG.

15. This report has been compiled before the year end, but the team is on target substantially to achieve its target of issuing all final reports before 30 April 2009. However, unplanned personnel issues have arisen in the final quarter that will increase the number of days being carried forward into 2010/11 to complete the 2009/10 plan. This has been accounted for in the 2010/11 Plan which was presented to the Audit Committee in March 2010. It should be noted that this is the first time the Audit Plan has been produced for the Audit Committee in advance of the year starting; this is good practice and demonstrates an improvement on previous years.
16. The review has considered the performance of Internal Audit in the following areas:

Compliance with CIPFA Code of Practice

17. The Assistant Head of Finance (Audit), (AHoF) has completed a self assessment against the CIPFA Code of Practice for Internal Audit 2006. The self assessment has also been presented to the Audit Working Group (8 April 2010) for their consideration and comment.
18. The internal self assessment and sources of evidence provided, confirms that the service is being delivered in compliance with the Code. The new External Auditors, Audit Commission have completed their own review of Internal Audit, including compliance against this standard; their report has not yet been received, but feedback indicates there are no areas of concern.

External Audit Reports

19. In September 2009, KPMG LLP as the Councils external auditors presented their "Report to those Charged with Governance 2008/9". This included details of their review of the arrangements and controls that ensure an adequate system of internal financial control is in place, including an effective internal audit service. No material issues or concerns were raised.
20. Internal Audit have engaged positively with the Audit Commission in their role as the Council's External Auditors, and the two teams are developing a protocol for joint working that will enable the External Auditors to place reliance on the work of Internal Audit, and to minimise the impact audit on the organisation. The joint working protocol is an outstanding action from last year, but is in draft form so it is expected with be progressed quickly in the first quarter of 2010/11.

ACTION – The AHoF (Audit) to develop a joint working protocol with the Audit Commission.

21. The Audit Commission undertook a review of Internal Audit during 2009/10. The Commission concluded that the Council was undertaking its role effectively in accordance with internal audit standards and no significant issues were identified.

Reports to the Audit Committee

22. There are clearly defined reporting processes in place with the AHoF reporting on quarterly performance and progress to the Audit Working Group.
23. The AHoF also takes an annual report to the Audit Committee.
24. The reports are well received and Members are generally satisfied with the levels of information they are receiving.
25. Whilst all reports to the Committee were in the name of the Assistant Chief executive and Chief Finance Officer, they are presented by the AHoF. To protect the independence of the AHoF, a protocol has been approved that

makes it clear he has direct access to the Chairman of the Audit Committee should he consider it necessary. This independence is further reinforced through the AHoF meeting in private session annually with the members of the Audit Committee.

Achievement of Performance Indicators

26. The Audit Working Group receives reports every quarter on progress with performance indicators. Whilst it is clear there is improvement required across all indicators, the results are satisfactory with no areas for concern.
27. Customer satisfaction feedback is collected on completion of each audit, and this remains an area of high performance for Internal Audit.
28. The process for following up agreed management actions is well established but remains time consuming and a pressure on resources. Options for reviewing the process with consideration to investing in a software solution may reduce the administrative overhead in the existing process.

Annual Survey

29. Questionnaires were sent out to 33 senior managers, (Directors, Heads of Service and Business Managers), to obtain feedback on the internal audit service. The response rate of 91% (30 responses) provides a real measure of how effective Internal Audit is for the Senior Management in the Council.
30. A full analysis of the results is attached as appendix 1 to this report. Overall the results are very favourable, with three areas in particular to highlight that demonstrate overall effectiveness and the impact of Internal Audit:
 - ***100% of respondents tended to agree or strongly agreed that the Service was proactive in giving adequate information about its role/purpose***
 - ***97% tended to agree or strongly agreed that the Service was independent***
 - ***97% tended to agree or strongly agreed that the Service consulted them on key risks or critical systems in their area***
31. A further 93% tended to agree or strongly agreed that the Service was effective in delivering improvements to the control environment. One comment suggested that preparations for the Exit Interview could, however be more structured, such that service managers are provided with the draft report in advance of the meeting.

Conclusion

32. The evidence justifies an overall assessment of acceptable effectiveness with no significant weaknesses.

33. Areas for improvement are identified in this report. Progress will be monitored both by the Audit Working Group and the Monitoring Officer

RECOMMENDATION

34. **The committee is RECOMMENDED to approve the Monitoring Officer's assessment of the effectiveness of the system of Internal Audit 2009/10.**

Peter Clark
Monitoring Officer

Background papers: Nil

Contact Officer: Peter Clark Tel: (01865) 323907

April 2010

Review of the Effectiveness of Internal Audit 2009

Questionnaires were sent out to 33 Senior Managers (Directors, Heads of Service and Business Managers) to obtain feedback on the internal audit service. The response rate was 88% (29 replies, the same as 2009). The survey provides a real measure of how effective Internal Audit is for Senior Management in the Council.

Directorate

12.5%	Children Young People and Families
13.6%	Community Safety
43.2%	Corporate Core
10.2%	Environment and Economy
6.8%	Shared Services
13.6%	Social & Community Services

I have been given adequate information on the role and purpose of Internal Audit.

67.0%	Strongly agree
33.0%	Tend to agree

I am consulted by Internal Audit on the key risks and critical systems in my area.

58.0%	Strongly agree
38.6%	Tend to agree
3.4%	Tend to disagree

I am satisfied that Internal Audit is independent.

80.7%	Strongly agree
15.9%	Tend to agree
3.4%	Tend to disagree

I am given an opportunity to comment on Internal Audit's annual work plans.

75.0%	Strongly agree
15.9%	Tend to agree
6.8%	Tend to disagree

On individual audit assignments, where appropriate, I have an opportunity to provide input to the planning of Internal Audit work.

54.5%	Strongly agree
39.8%	Tend to agree
3.4%	Tend to disagree

Internal Audit reports are timely, practical and support managers in the management of their key risks.

40.9%	Strongly agree
52.3%	Tend to agree
6.8%	Tend to disagree

Internal Audit is effective in delivering improvements to the control environment.

27.3%	Strongly agree
65.9%	Tend to agree
6.8%	Tend to disagree

Other comments:

As Business Manager for the directorate I find Internal Audit support and engagement with our business helpful. Occasionally I have difficulty obtaining information about 'corporate' or organisation-wide audits that impact on the directorate, there does not seem to be a proactive mechanism in Internal Audit to talk to key stakeholders or coordinators like myself in advance, so I tend to find out about something when I'm asked to attend a meeting. Any recommendations from any audit that are tasked to Business Managers must be discussed with them when being formed, not presented to them as a fait accompli as has happened in the past.

Internal Audit has been completely transformed under Ian Dyson's leadership

Internal Audit is good at what they do. I would have expected a greater involvement in development of the ICC framework.

The one audit I have been involved with this year whilst small was very effectively handled

There needs to be a closer correlation between the objectives of audit and scrutiny to ensure that both add value

Internal Audit continues to be one of the best services I encounter; always professional and my expectations are always met or exceeded. Thank you.

Internal Audit perform strongly both on strategic planning and audit cover but I do still return to the unsatisfactory nature of the exit interview where the draft report is not shared in advance and you come to this cold so little opportunity to consider and challenge back.

I like my relationship with Internal Audit.

I have been impressed by the rigour and dedication of the internal audit team, even if the messages aren't always what we'd like to hear!

I am concerned that the focus of the current L&D Audit in terms of planning is not sufficiently recent to add value. The audit has looked at the planning process used for the 2009-10 Plan and has involved my team in providing information from 2008 when the bulk of the planning activity took place. As the planning process is constantly reviewed and improved the process has changed for the 2010-11 Plan which has just been approved by CCMT. The other elements of the audit cover financial and performance monitoring and the focus of these is more timely.

I have been particularly impressed by Internal Audit's consultative approach to agreeing corrective action following an audit.

6 April 2010

Joanna Simons
Chief Executive
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

Direct line 0844 798 8952

Dear Joanna

Annual Audit Fee 2010/11

I am writing to confirm the audit work and fees proposed for the 2010/11 financial year at Oxfordshire County Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11 and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Audit Commission Comprehensive Area Assessment Lead will be writing to you separately on these fees.

As I have not yet completed my audit for 2009/10 my risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for 2010/11 is £271,500 which compares to the planned fee of £280,200 for 2009/10. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	140,500	142,600
Whole of government accounts	2,700	2,600

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Council Use of Resources/VFM Conclusion [including risk based work and data quality]	105,500	112,750
Fire Use of resources and data quality	22,800	22,250
Total audit fee	271,500	280,200
Managing performance	separate letter	18,300
Total fee		298,500
Certification of claims and returns	10,200	10,000

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. My proposed fee is 12% above scale and is within the normal level of variation specified by the Audit Commission. This variation relates primarily to the need to complete additional work on fire use of resources and data quality given that the fire authority is integrated into the county council.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards and this is reflected in my proposal. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2010. He has also confirmed that the Audit Commission will make a direct refund to you of part of this fee in December 2010. This represents our best estimate of the additional costs association with IFRS transition in 2010/11.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010-11, I will absorb the cost of these additional requirements within the above fee.

A separate opinion plan for the audit for the financial statements will be issued to you once my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee. In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk)

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with the Chief Financial Officer and Assistant Chief Executive and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are;

- Managing Finances
- Governing the business and
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

I have identified a number of risks in relation to my accounts opinion and value for money conclusion. For each risk, I consider the arrangements put in place by Oxfordshire County Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
International Financial Reporting Standards (IFRS) – inherent risk due to the scale and complexity of changes	overview of preparation arrangements review of material treatments as they emerge review of restated figures for prior years	across year across year to be agreed
MTFS and efficiencies – review of progress	Ongoing monitoring of the financial position and County approach to financial stability	Across year
Transfer of educational funding for 16-19 year olds	overview of arrangements drawing on Internal Audit involvement	as issues emerge

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 are:

District Auditor – Maria Grindley 0844 798 8952

Audit Manager – Mary Fetigan 0844 798 8978

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Neil Childs, the Southern Head of Operations (n-childs<mailto:n-childs@audit-commission.gov.uk>).

Yours sincerely

Maria Grindley
District Auditor

cc Sue Scane, Chief Financial Officer and Assistant Chief Executive

cc David Wilmshurst, Chair of the Audit Committee

cc Mary Fetigan, Audit Manager

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Final accounts memorandum (to the Chief Financial Officer and Assistant Chief Executive)	October 2011
Annual audit letter	November 2011

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6 April 2010

Joanna Simons
 Chief Executive
 Oxfordshire County Council
 County Hall
 New Road
 Oxford
 OX1 1ND

Direct line 0844 798 5682

Dear Joanna

Annual inspection fee 2010/11

Further to recent meetings, I am writing to confirm the assessment and inspection work that we propose to undertake for the 2010/11 financial year at Oxfordshire County Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission’s inspection work, excluding any audit fees. Maria Grindley, your appointed auditor, will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary.

The total indicative fee for inspection for 2010/11 is £18,293 and is shown in the table below. The inspection fee has been set in accordance with the Audit Commission’s work programme and scales of fees 2010/11.

Assessment and inspection work plan and fee

Assessment / inspection activity	Planned fee for 2010/11
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	n/a (CLG grant funded)

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for Oxfordshire Fire and Rescue	
Managing performance theme of organisational assessment	18,293.00
Total inspection fee	18,293.00

If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance. Alternatively you may wish to contact the Neil Childs, Head of Operations, at n-childs@audit-commission.gov.uk

Yours sincerely,

Robert Hathaway
Comprehensive Area Assessment Lead

cc Sue Scane, Chief Financial Officer and Assistant Chief Executive
cc David Wilmshurst, Chair of the Audit Committee
cc Maria Grindley, District Auditor

Division(s): N/A

ITEM AU11

AUDIT COMMITTEE - 21 APRIL 2010

FINANCIAL MANAGEMENT ACTION PLAN

Report by Assistant Chief Executive & Chief Finance Officer

1. In the second half of 2008, Local Government Futures Ltd (LGF) reviewed financial management arrangements across Oxfordshire County Council. There were no particular weaknesses that the review was intended to address, the main purpose was to further improve and move towards best practice financial management. All services were included in the review, with the exception of schools.
2. The key issues identified used to develop the Financial Management Action Plan (FMAP) whose actions are grouped around:
 - People – Budget Holders/Service Managers and Finance staff;
 - Improved Communication of Financial Policies, Procedures and Guidance;
 - Further integration of Finance and Performance information;
 - Improve the user friendliness of SAP, the Authority's Financial Management Information System.
3. This report summarises the progress made so far with FMAP for review by the Committee and updates the position reported as at 23 September 2009. The detailed action plan, along with notes about progress to date, is attached as Annex 1.

Budget Holders and Service Managers

4. The areas identified for improvement were:
 - Further clarification of respective roles and responsibilities of finance staff and budget holders following the move to Shared Services;
 - Consideration of financial performance as part of the appraisal process and accountability of managers on process issues;
 - Tackling the perception that basic administrative tasks have been pushed down to managers;
 - Assessment of training needs to enable more tailored training for budget holders including improvement of forecasting skills;
 - Improving level of involvement of budget holders in preparing and profiling their budget.
5. The previous report to Audit Committee on 23 September 2009, noted the position as at 1 September 2009. As at 31 March 2010 we have built on the previous progress as follows:

- Set up a reference group to seek views of managers on a range of finance issues. We used the manager survey to identify volunteers and have now had two constructive meetings chaired by a senior manager within the Council, and further meetings planned in 2010/11.
- The first three financial management modules went live in December 2009. Modules include: Hints and Tips on Forecasting, Understanding SAP Transactions, and Budget Setting & Maintenance and one of each of these has been running weekly since then. An additional module covering the role of managers at year end has also been made available in March 2010, along with a module covering forecasting payroll transactions. Subject to approval through the Provisional Outturn Report the ongoing provision of the training throughout 2010/11 will be funded from a one – off saving in Shared Services carried forward from 2009/10.
- The initial mandatory training provided to all managers with financial management responsibilities has been refreshed and piloted as “Managing Resources Effectively” with additional input from Performance Management in December 2009. The training is now live and has run twice so far with a further session in late April.
- Ongoing review of finance toolkits to improve and incorporate feedback. Changes to pages and forms requested by the Reference Group have been implemented and the Finance pages have been redesigned to improve signposting and user – friendliness for managers.

Training and Development of Finance Staff

6. The development needs identified for finance staff centred on the need to improve the skill set of finance staff to enable them to better meet the demands of their new roles post shared services.
7. Areas noted for improvement were:
 - Training for finance staff on SAP to enable them to address more complex issues rather than current basic training
 - Need to improve the level of challenge given by management accountants
 - Need to improve business knowledge of some accountants
8. Key actions reported as outstanding in September 2009 were to set up a finance SAP user group to promote better use of SAP and to document and implement what constitutes best practice for management accounting. Findings from profiling the Management Accountants’ activities were to be appraised to determine what this indicates about the current capabilities of Budget Holders and Service Managers to effectively manage their financial responsibilities.
9. As at 31 March 2010 the following progress has been made:
 - A meeting was held with Management Accountants on 29 January 2010 to review automation of completion of final accounts working papers using SAP and establishing best practice prior to closing the 2009/10 accounts.

Further meetings will be scheduled in relation to specific processes as ongoing work on business improvement identifies areas of focus;

- Management accountants' knowledge of business areas has increased since the move to Shared Services when some roles were reallocated and this has created an increased capacity to challenge as well as support. Annual appraisals have identified where further development is needed and the issue is considered as part of local induction processes.
- Ongoing reviews of Directorate budget risks inform allocation of management accounting resources and a review of management accounting activities has identified where most time is spent and maximum process improvement can be delivered.

Improved Communication

10. Actions to improve the communication of financial policies and procedures were centred around further update and streamlining of financial procedures on the intranet. Further actions were planned to clarify guidance and monitor compliance at operational level in areas such as financial delegation and e-procurement.
11. As at 31 March 2010 we have made the following progress:
 - The visibility and signposting of finance pages for managers has been enhanced with further improvements made in response to feedback from the Financial Management Reference Group.
 - Compliance with e-procurement has improved from 52% of invoices having had a purchase order raised (July 2008) to 75% (June 2009) and 84% at January 2010. Where SAP purchase orders are not an appropriate option, payment of invoices is controlled through a list of authorised signatories.
 - The revision of the Accounting Manual was completed in March 2010 prior to the Policies & Procedures Officer moving to a new post in Shared Services. Whilst there is less resource available responsibility for ongoing maintenance is now part of the role of the Principal Financial Manager (Standards & Projects).
12. Completion of the SAP Organisation Management project and introduction of new SAP roles provides an opportunity to address control issues around the schemes of delegation. Service Directorates are being consulted on posts to which roles should be allocated and improved governance procedures put in place to facilitate and control updates.

Integration of Finance and Performance Information

13. The Council had already identified the need for improved benchmarking and unit cost information prior to the issue of the report so the actions build on this. Improved, more consistent and embedded use of performance

monitoring information will also help us to meet the requirements of the Comprehensive Area Assessment.

14. At the end of 2008 the Performance team were already working on developing Service and Resource Planning by:
 - Working with business plan owners to improve the unit costing information included in business plans ;
 - Ensuring future unit costing information for consideration in future business plans is activity based and outcome;
 - Working with Directorate Leadership teams to ensure benchmarking is being used and is evident in their business plans.
 - Delivering one to one training to business plan owners to help and encourage the use of benchmarking within their service. This will be supported by the Corporate Performance lead.
 - Challenging services to explain how they actively use benchmarking to drive service delivery and business improvement
15. The format for 2010/11 business plans was reviewed and unit costs form a key part of the revised plan. The liaison officers from the performance and review team continue to work with directorates to support them in developing unit costs and to agree effective and appropriate cost/performance benchmarking information.
16. The initial financial management training provided to managers was relaunched as “Managing Resources Effectively” in early 2010 and now includes both performance and financial information and strongly reinforces the message that these need to be considered together.

User friendliness of SAP

17. Issues with the user-friendliness of SAP R/3 have been apparent since it was implemented. Whilst some work has been carried out to improve the reporting and many managers are now using SAP for budget monitoring, it does still remain an area of concern. Corporate finance will continue to work with the SAP Development Board to keep informed of the SAP development plan and will use the Financial Management Reference Group to consult on developments including the implementation of Manager and Employee Self Service.

Arrangements for Monitoring

18. The Chief Finance Officer has been monitoring progress with the Financial Management Action Plan on a six monthly basis using Annex 1 as a template. However, given that many of the original actions are complete or ongoing as business as usual the Committee is asked to consider whether they would like further updates.

RECOMMENDATION

19. **The Committee is RECOMMENDED to note the progress to date, give any feedback on the monitoring report to the Chief Finance Officer, and consider whether they would like to see further updates.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers; Nil

Contact Officer: Kathy Wilcox,
Principal Financial Manager
(Financial Planning & Management)
Tel: (01865) 323981

April 2010

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Action Plan to address the recommendations made in the Local Government Futures Financial Management Report

Suggested Issues to Address (further detail on proposed actions provided below)

1 People

1.1 Managers

- 1.1.1 Need for clarity over respective roles and responsibilities of finance staff and budget holders
- 1.1.2 Consideration of financial performance as part of the appraisal process and accountability of managers on process issues.
- 1.1.3 The perception that basic administrative tasks have been pushed down to managers
- 1.1.4 Assessment of training needs to enable more tailored training for budget holders including improvement of forecasting skills
- 1.1.5 Improve level of involvement of budget holders in preparing and profiling their budget.

1.2 Training and Development of Finance Staff

- 1.2.1 Training for finance staff on SAP to enable them to address more complex issues rather than current basic training
- 1.2.2 Need to improve the level of challenge given by management accountants
- 1.2.3 Need to improve business knowledge of management accountants

2. Improved communication of finance policies, procedures and guidance

- 2.1 Improvement of schemes of financial delegation at an operational level
- 2.2 Improve quality and accessibility of information on the intranet by development of tool kits and update of Accounting Manual and removal of out of date information
- 2.3 Improve Levels of compliance with e-procurement and hence prompt payments

3. Further Integration of finance and performance information

- Improved unit costing information
- Improve use of benchmarking information

4. Improve user friendliness of SAP

- The extent to which the financial system (SAP) meets users' needs, particularly in terms of documentation, user-friendliness and reporting/forecasting tools
- Gain further clarity from those responsible for SAP on future developments and planned improvements and communicate this to end-users

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		<ul style="list-style-type: none"> Formally re-launch an updated and improved Roles and Responsibilities Statement and use the opportunity to publicise/remind/discuss Service Teams about their role. 	Yes	<p>Generally positive responses from 350 managers considered by SFG, CCMT & BMG.</p> <p>Modular training sessions (2 hours long) piloted late 2009 and now live.</p> <p>Statement updated and published on intranet via news item to all staff on 21 September 2009.</p>	PFM (Financial Planning & Management)	<p>Training ongoing through 2010/11</p> <p>Complete</p>

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		<ul style="list-style-type: none"> Review Manager induction material to ensure that it provides clarity on roles and responsibilities 	No	<p>Since November 2009 the Manager Induction Event has included a section on financial management and signposts to further training and the Finance Toolkit on the Intranet.</p> <p>Feedback from these sessions has been positive.</p>	Human Resources and Organisational Development. Finance input to Induction Event by Corporate Finance.	Complete – Induction Events ongoing through 2010/11.
	Review the manner in which the scheme of delegation is operating at operational level	<ul style="list-style-type: none"> The need to review the schemes of delegation at operational level has already been identified. A paper considering the issues 	Yes	CYP&F being followed up via financial management aspects of Directorate	PFM (Standards & Projects) and FBP representative	Ongoing since autumn 2009

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
	<p>Roles and responsibilities are being reviewed, and the level of delegation is tied to these roles. It is recognised that this may not be consistent across directorates, but there needs for positive service ownership of the scheme of delegation.</p>	<p>is being prepared for discussion with the Section 151 Officer</p> <ul style="list-style-type: none"> • Directorate lead for scheme of delegation to provide formal report back to the relevant leadership team and copy to SFG for monitoring. 	<p>No</p>	<p>restructuring project.</p>	<p>David Calver leading on this for CYP&F and Michael Rolton for SCS.</p>	<p>Ongoing</p>
	<p>Ensure that managers know where to look for help and support so that they are enabled to carry out their responsibilities.</p>	<ul style="list-style-type: none"> • Clarify the process for the reporting of errors and review the signposting/forms available via the Intranet. This is reflected in the finance toolkits, but these need to be higher profile. 	<p>No</p>	<p>Actions taken complete – but will be further continual improvement and the Financial Management Reference Group is</p>	<p>SFM (Data Control & Systems Development)</p>	<p>Complete</p>

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		<ul style="list-style-type: none"> Improve positioning and visibility of financial management guidance – review the finance toolkit to ensure that it is visible and a consistent front face of the finance function for managers. 	Yes	being consulted. Finance front pages and toolkits/forms now accessible via Support/ Finance with a four way split for Managers/ Finance Specialists/ News & Updates and an A-Z of Finance Services so much more visible. Further improvements made in response to feedback	SFM(DC&SD) and PFM (Financial Planning & Management)	Ongoing incremental improvements in response to feedback

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				from the Financial Management Reference Group.		
1.1.2 Consideration of financial performance as part of the appraisal process and accountability of managers on finance issues	Review management competencies to promote the focus on financial management competencies for managers with budget responsibilities	<ul style="list-style-type: none"> The organisation is currently reviewing its management competencies and the Chief Finance Officer will highlight these issues as part of the consultation process with a view to ensuring that there is more consistency between financial management responsibilities and follow up in the appraisal process. 	Yes	For 2009/10 appraisal a financial management objective was required for all managers with budgets over £100,000. Implementation was assessed as part of HR sampling of objectives in October 2009 and 14% of all appraisals sampled included financial	Chief Finance Officer	Where appropriate financial management objectives should be included in 2010/11 appraisals and sampled again in late 2010.

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				<p>objectives.</p> <p>A reminder to reflect financial management responsibilities in 2010/11 appraisals will be included in the next appraisal communication. This will appear on the intranet as a headline article.</p>	Corporate HR & OD	April 2010
	Carry out a skills audit to identify where managers feel that further development is required, to improve their financial skills, including hands on SAP training where appropriate.	<ul style="list-style-type: none"> The FMA teams and Corporate Finance are working with Directorates (and building on information currently being reported quarterly to Directorate Leadership Teams via Balanced Scorecards) to identify the level of 	Yes	Financial management skills survey generated a good response and has been used to tailor modular training to	PFM (Financial Planning & Management)	Completed via SNAP survey of managers in April/May 2009 and reported to CCMT, BMG and

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		SAP/budget monitoring competency of managers. Similar to the approach taken in 2006 and 2007 this will be reported to CCMT as part of the monthly Financial Monitoring Report.		budget holders' needs. Summary results communicated to CCMT and BMG		back to managers via e-mail.
1.1.3 The perception that basic administrative tasks have been pushed down to managers	Identifying under what circumstances expenditure is incorrectly coded to managers' cost centres	<ul style="list-style-type: none"> Active review of queries and journals to establish patterns and proactive response to findings e.g. changing forms/processes/training to reduce error rate 	Yes	Continues to be ongoing	SSC-FMA Processing and Control	Ongoing part of Processing & Control activity.
	Ask managers for their views on what 'administrative' tasks they feel they are currently undertaking in relation to finance	<ul style="list-style-type: none"> Establish a Focus Group to seek views of managers on a range of issues, including the use of SAP, communications generally and the use of finance toolkit. 	No	There was a good response to a request for Reference Group volunteers as part of the Skills Survey. The first	SFM (DC&SD) and PFM (Financial Planning & Management)	Early 2009. Further to advice from the Communications Team we surveyed managers and have

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				meeting of the group took place on 1 December 2009 with a further meeting on 2 February 2010. Meetings will now continue quarterly throughout 2010/11 with follow up actions logged tracked between meetings. The next meeting in May 2010 will consider how to better involve budget holders in the		then followed up with a financial management reference group. This is chaired by a senior manager, and has been well received by the managers who have attended.

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				2011/12 Service & Resource Planning Process.		
1.1.4 Assessment of training needs to enable more tailored training for budget holders including improvement of forecasting skills	Develop a rolling modular financial management training programme for managers, based on the areas of weakness identified in the skills audit	<ul style="list-style-type: none"> • The Principal Financial Manager (Financial Planning and Management) drafted a framework for a modular training package for inclusion in the 2009 Learning & Development Plan and this has subsequently been progressed by the Strategic Finance Manager (Data Control & Systems Development). • Identified as a new need in the 2009/10 Learning and Development Plan. 	Yes	Pilots for Understanding Your Transactions, Hints and Tips on Forecasting and Budget Setting took place in late 2009 and have been running live weekly through early 2010. Also additional session on year end (in addition to new guidance circulated by e-mail)	SFM (DC&SD and PFM (Financial Planning & Management) and Learning & Development	Ongoing provision of modular training planned through 2010/11.

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				available in March 2010.		
1.1.5 Improve level of involvement of budget holders in preparing and profiling their budget	Identifying in which directorates/areas managers are not sufficiently involved in the preparation/forecasting of budgets and reasons for this, in order to ensure that they are fully engaged in the future	<ul style="list-style-type: none"> See 1.1.2 – assessment of managers’ SAP competencies based on Balanced Scorecard Reporting 		FBPs need to assess feedback for their Directorate from the FM Skills Survey. Manager role discussed at SFG on 27 July 2009 – agreed principle of manager update of SAP should continue.	Finance Business Partners and PFM (Financial Planning & Management)	Autumn 2008 onwards. Initial assessment done via SNAP survey of managers in June 2009.
	Identify what aspects of their budget managers believe to be ‘incorrect’ and (if appropriate), work with them to amend the base budget, in order to improve ownership	<ul style="list-style-type: none"> Management Accounting to pro-actively work with the teams they support to ensure that issues and concerns are addressed as part of the 2009/10 budget build on SAP. 	No	2009/10 budget process completed. Feedback from 2009/10 process used	Finance Business Partners	

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		<ul style="list-style-type: none"> • Communication to be sent to all budget holders after Council in February 2009 reminding them to check their 2009/10 base budget(s) on SAP. • Heads of Service and Service Managers to be asked via CCMT to communicate assumptions and decisions behind the budget to their budget holders in late February 2009. • Work with CCMT to improve the 2009/10 formal budget sign off process. • Review the outcomes of the 2009/10 process and follow up issues arising. 	<p>Yes</p> <p>Yes</p> <p>No</p>	<p>to inform 2010/11 process which began with communications to all managers in June 2009 about the £60m Efficiencies Target.</p> <p>In January 2010 BMG agreed that results of the 2010/11 Budget sign off process should be considered by each Leadership Team to pinpoint any Service Areas</p>	<p>Business Managers Group and Directorate Leadership Teams</p>	<p>May 2010</p>

CIPFA FINANCIAL MANAGEMENT ACTION PLAN (PROGRESS AS AT 31 MARCH 2010)

ANNEX 1

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				<p>where there are consistent issues to be addressed.</p> <p>Financial Management Reference Group will consider how to improve communication to budget holders for 2011/12 within the broader Service & Resource Planning process</p>	<p>PFM (Financial Planning and Management)</p>	<p>September 2010</p>

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		processes.		identified. Opportunities for Financial Accounting to engage with service managers are being explored as part of an ongoing business process review.		Pilot April/May 2010
1.2.2 Need to improve the level of challenge given by management accountants	Carrying out a skills audit to identify where finance staff feel that further development is required, to improve their financial skills, including SAP training	<ul style="list-style-type: none"> Use a session to assess training needs of management accountants and evaluate best method of meeting them. Identify best practice and develop guidance with a view to agreeing a more standardised consistent approach to the support of our 	No	Analysis of management accounting activity completed and being used to inform ongoing process review. Management Accounting	Head of FMA ²	Ongoing as part of business process review

² With support of PFM (Corporate and Professional Standards)

CIPFA FINANCIAL MANAGEMENT ACTION PLAN (PROGRESS AS AT 31 MARCH 2010)

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Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		financial management processes.		checklist being developed to ensure clarity of role and consistency of approach.		
1.2.3 Need to improve business knowledge of management accountants	Use appraisals to identify finance staff to service(s) who would benefit from experience of front line delivery/work shadow to better understand their services	<ul style="list-style-type: none"> • Develop local induction for new management accountants which includes a day shadowing a key service manager in the service they work with. • FBPs to use June appraisals to identify staff who would benefit from exposure to frontline delivery /workshadow/key meetings to improve business knowledge 	No	Accountants are now more familiar with service areas and able to provide challenge as well as support. Individual training requirements will be identified as part of appraisal process and addressed through personal development plans and/or	Head of FMA (via FBPs)	Ongoing

CIPFA FINANCIAL MANAGEMENT ACTION PLAN (PROGRESS AS AT 31 MARCH 2010)

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Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				induction programmes.		

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
2 Improved communication of finance policies, procedures and guidance						
2.1 Improvement of schemes of financial delegation at an operational level		<ul style="list-style-type: none"> • The need to review the schemes of delegation at operational level has already been identified. A paper considering the issues is being prepared for discussion with the section 151 officer • The paper will be used as a basis to further improve operation of schemes of delegation 	Yes	SAP hierarchies are being reviewed to facilitate reporting and control. SCS hierarchy is robust but will be kept under review and Corporate Core is complete and implemented. E&E, Shared Services and Community Safety reviews are completed and awaiting implementation and CYP&F is being undertaken as part of the Directorate restructuring project. Completion of the SAP Organisation Management project and introduction of	FBPs	December 2009 Ongoing

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				new SAP roles provides an opportunity to address control issues around schemes of delegation. Service Directorates are being consulted on posts to which roles should be allocated and governance procedures put in place to facilitate and control updates.		
2.2 Improve quality and accessibility of information on the intranet by development of tool kits and update of Accounting Manual and removal of out of date information	Seeking managers' views on the best way of communicating financial policies in an understandable manner to them and improving the Intranet in relation to the inclusion of and priority given to financial information	<ul style="list-style-type: none"> The organisation will shortly be recruiting to a post to support the Principal Finance Manager (Corporate and Professional Standards) to update the Accounting Manual and 	Yes	The revision of the Accounting Manual is substantially complete and has been done in tandem with required revisions to the finance tool kit.	PFMs (Financial Planning and Management) and (Standards and projects)	Accounting Manual will now be maintained and updated as necessary.

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		work with Processing and Control on improving the finance toolkits. Use the Focus Group to assess planned improvements. • Split the Intranet more clearly into Finance for Managers and Finance for Finance with one route in for managers.	Yes	Completed subject to ongoing improvements/updates		Complete
2.3 Improve Levels of compliance with e-procurement and hence prompt payments		• Monitor use of FB60 (non e-procurement route for purchasing and payment) at service level	Yes	Ongoing but showing improvement over time: July 2008 52%, June 2009 75%, January 2010 84%	Business Managers Group	Ongoing from Autumn 2008
2.4 Promote awareness of key financial policies and procedures		• Circulate regular reminders via Core brief on	No	Not yet progressed	PFM (Standards and Projects) and PFM (Financial Management &	September 2010

CIPFA FINANCIAL MANAGEMENT ACTION PLAN (PROGRESS AS AT 31 MARCH 2010)

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Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
		financial polices (in similar manner to Corporate Governance briefings)			Planning)	

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
3 Further Integration of finance and performance information						
3.1 Improved Unit costing information Page 63		<ul style="list-style-type: none"> For details see Data Quality action plan produced in response to the Annual Governance Statement 2007/08. 	Yes	<p>The Data Quality Action plan was not actioned by the due date and was replaced by an action on Data Quality in the Annual Governance Statement 2008/09.</p> <p>The Data Governance Policy is completed and in the process of being signed off.</p> <p>An action plan has been created which prioritises data governance gaps in</p>	Corporate Performance Lead	Autumn 2010 and ongoing

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 64</p>		<ul style="list-style-type: none"> • Work with Business Plan owners to improve the unit costing information included in Business Plans. 	Yes	<p>directorates so that a risk based approach to improvements is undertaken.</p> <p>Unit costing is a standard aspect to business planning. Challenge included the appropriateness of unit costs.</p>	Corporate Performance Lead	
		<ul style="list-style-type: none"> • Ensure future unit costing information for consideration in business plans is activity based and outcome focused 	Yes	<p>Unit costing information was an integral part of pre-challenge for Star Chamber. Unit costs were benchmarked against Oxon's comparator groups and discussed with directors. This will be continued over the summer</p>	Corporate Performance Lead	

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 65</p>				<p>in the lead up to the next Star Chambers in Autumn 2010.</p> <p>Liaison officers from the performance and review team worked with directorates on the 2010/11 business plans to support them in developing unit costs.</p> <p>Analysis was provided for challenge sessions with directors prior to Star Chambers around comparative unit costs.</p>		
	<p>3.2 Improve use of benchmarking information</p>		<ul style="list-style-type: none"> • Work with Directorate Leadership teams to ensure benchmarking 	<p>Yes</p>	<p>Unit costs and benchmarking are business as usual</p>	<p>All Corporate Performance Lead</p>

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 66</p>		<p>is being used and is evident in their business plans by use of Benchmarking Forum</p>		<p>for business plans. Insufficient consideration is challenged by liaison officers.</p> <p>Most services are involved in specific networking arrangements which are service based. Tailored support is now provided through the business plan challenge, service capacity building around best practice, and expanded training on benchmarking rather than a centralised group discussion.</p>		
	<ul style="list-style-type: none"> • Deliver training to business plan owners to help and 	<p>No</p>	<p>Benchmarking has been incorporated into</p>			

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 67</p>		<p>encourage use of benchmarking within their service</p> <ul style="list-style-type: none"> • Ensure Services are challenged to explain how they use benchmarking to drive service delivery and business improvement via Star Chambers and Benchmarking Forum. 	<p>No</p>	<p>the 'Managing Resources Effectively' training delivered by the corporate performance team. There will also be a benchmarking specific training to be piloted in May 2010.</p> <p>A series of conversations were held with services in every directorate. A few services are exemplars of good benchmarking practice. These examples are used to challenge other services which may be less engaged both through</p>		

CIPFA FINANCIAL MANAGEMENT ACTION PLAN (PROGRESS AS AT 31 MARCH 2010)

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Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
				training as well as service and resource guidelines.		

Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
<p>4 Improved User friendliness of SAP</p>						
<p>4.1 The extent to which the financial system (SAP) meets users' needs, particularly in terms of documentation, user-friendliness and Reporting/forecasting tools</p>	<p>Seek managers' views on their key areas of difficulty in using SAP</p> <p>Develop a more user – friendly and intuitive means of accessing budget monitoring information on SAP.</p>	<ul style="list-style-type: none"> Investigate improvements in the functionality allowing us to prompt SAP actions in line with the budget monitoring timetable. Follow up potential use of SAP Business Objects to aid user – friendliness. 	<p>Yes</p> <p>Yes</p>	<p>SAP upgrade completed in August 2009. It is still not possible to prompt actions with R/3.</p> <p>Meeting with IBM to demonstrate Business Warehouse took place on 24 September 2009. Further implementation not being pursued as business case has not been developed.</p>	<p>PFM (Financial Planning & Management)</p> <p>PFM (Financial Planning & Management)</p>	<p>Complete subject to current functionality</p> <p>On hold</p>

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Issue identified	Recommendations	Actions proposed or underway	Already in progress prior to review	Status as at 31 March 2010	Responsible	Due
developments and planned improvements and communicate this to end-users		SAP to brief user communities on future developments.	No	has not been developed.		

Abbreviation	Explanation
BMG	Business Managers Group
CCMT	County Council Management Team
FBP	Finance Business Partner
PFM	Principal Financial Manager
SFG	Strategic Finance Group
TFG	Technical Finance Group
SAP	Council's main accounting system

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AUDIT COMMITTEE – 21APRIL 2010

WORK PROGRAMME UPDATE/REVIEW 2010/11

2010

30 June

Internal Audit Services – Annual report 2009/10
(Ian Dyson)

Annual Governance Statement 2009/10
(Peter Clark)

Statement of Accounts 2009/010
(Sue Scane)

Interim Opinion Report
Annual Audit & Inspection Plan – Audit 2009/10;
(Audit Commission)

Audit Working Group – AWG Chairman's Annual Review of Activities 2009/10

22 September

Risk Management Annual Report
(Risk & Performance Adviser)

Final Statement of Accounts 2009/10:

- Annual Report to those charged with governance 2009/10 (OCC)
- Use of Resources Report (if appropriate)
- Annual Report to those charged with governance 2009/10 (OCC Pension Fund Accounts))
- Statement of Accounts 2009/10 Audit Adjustments
(Audit Commission)
- Letter of Representation to the Auditors
(Sue Scane)

Local Government Ombudsman's Annual Review of OCC
(Peter Clark)

17 November

Annual Audit Letter 2009/10
(Audit Commission)

Treasury Management Governance – Annual Report
(Sue Scane)

2011

19 January

International Financial Reporting Standards (IFRS) - Update
(Sue Scane)

Review of the Process for Reporting on the Effectiveness of the System of Internal Audit
(Ian Dyson)

Audit Committee - Draft Work Programme 2011/12
(Co-ordinated by Committee officer in consultation with relevant directorate officers)

02 March

Internal Audit Services: Internal Audit Strategy & Annual Plan 2011/12
(Ian Dyson)

2010 Annual Report of the Audit Committee to Council
(in accordance with the process adopted by the Committee on 29 November 2006)

Other matters

In order to improve links with scrutiny in terms of the adequacy of control issues:
- a consolidated scrutiny work programme;
- scrutiny annual reporting
(Tracy Luck)

Regular Reports:

Audit Working Group
(Ian Dyson)

Audit Committee Work Programme – update/review
(Committee Officer/Chairman/relevant officers)

Background Papers Nil

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April 2010