

External audit

progress report

January 2012

Oxfordshire County Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

| | |
|---|----------|
| Introduction | 2 |
| Progress on 2011/12 audit plan | 2 |
| Key messages and challenges for the Audit Committee | 2 |
| Dealing with the economic downturn | 2 |
| Protecting the Public Purse 2011 | 3 |
| Update on the externalisation of the Audit Practice | 3 |
| Further information | 4 |
| Appendix 1 Audit timeline | 5 |
| Appendix 2 Audit progress | 6 |

Introduction

1 This report identifies the work that I will deliver as part of my 2011/12 plan and progress against that. In addition this report also highlights key messages and challenges for the Audit Committee.

Progress on 2011/12 audit plan

Timeline of the audit and progress to date

2 The timeline for the audit work for 2011/12 to October 2012 is attached at appendix 1. Progress for the key parts of the 2011/12 audit is set out in appendix 2. I will provide reports, or other output as agreed, to the Audit Committee for each of the areas identified in the audit plan in line with the Committee's work plan. I will also ensure that any key messages arising from the audit will be reported to the Audit Committee within this report as they arise.

3 The audit for the 2011/12 annual accounts and VFM conclusion is on track as shown in appendix 2.

Key messages and challenges for the Audit Committee

4 Where I have specific findings from my work or have identified deficiencies in internal control I will bring those to your attention. I have no such matters to raise within this report.

5 However I do have some wider information that will be useful to your role as an Audit Committee and I set that out below.

Dealing with the economic downturn

6 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'. The report can be found [here](#).

7 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

8 The key findings in the report are as follows.

- Most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books.
- Although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets.

- To meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years.
- Councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

9 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.

Protecting the Public Purse 2011

10 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.' The report can be found [here](#).

11 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

12 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers. The key areas where fraud was detected include procurement fraud, with 145 cases amounting to £14.6 million and Housing Benefit and local taxation.

13 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils.

14 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

15 In addition to the core report, there are separate briefings to specifically aid governors in schools and councillors in parish and town councils.

Update on the externalisation of the Audit Practice

16 We set out the timetable for externalisation of the Audit Practice at the 21 September 2011 Audit Committee. A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

17 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

18 Against this background, the Audit Practice's focus remains.

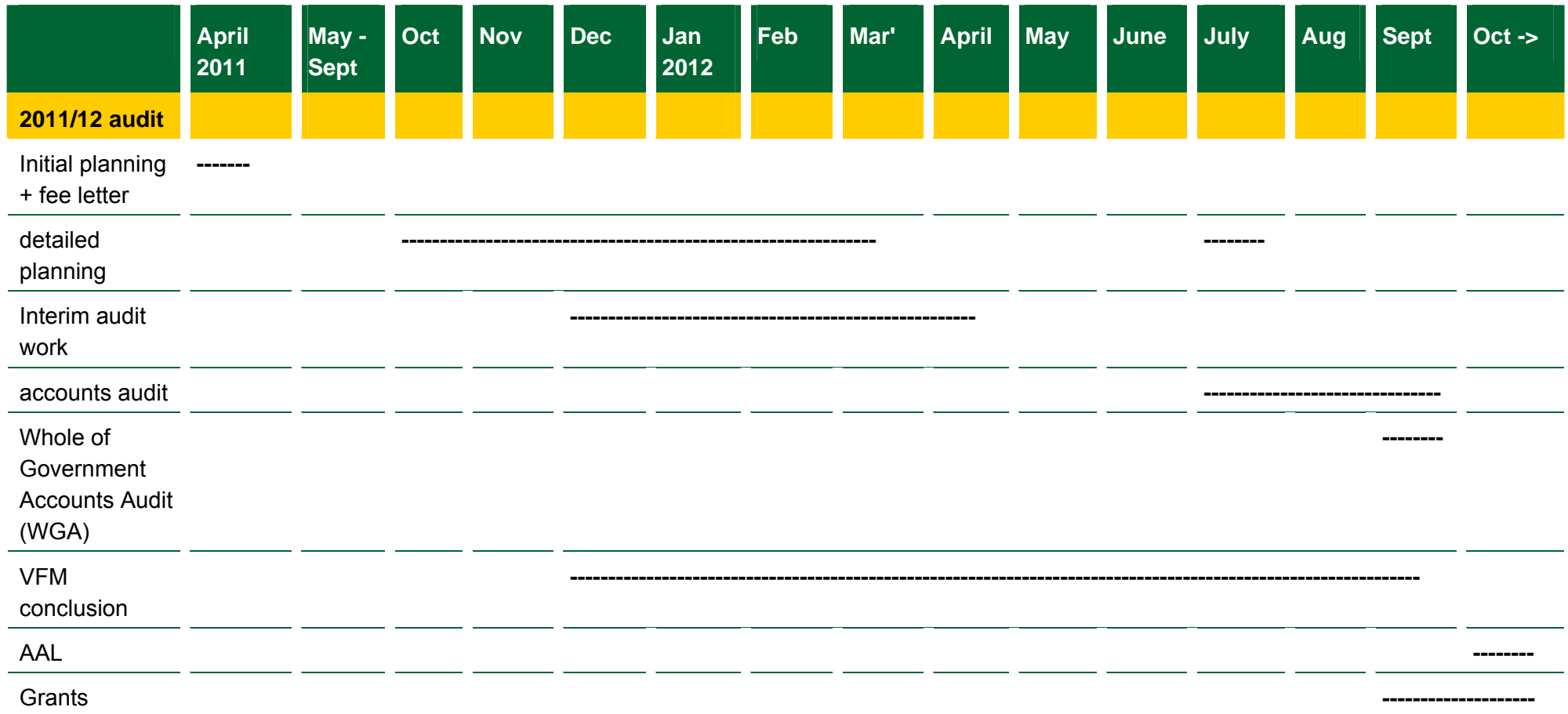
- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Further information

19 If you would like further information on any items in this briefing, please feel free to contact either Maria Grindley or Mary Fetigan.

20 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Appendix 1 Audit timeline



Appendix 2 Audit progress

| Period | Work planned | Delivered |
|-----------------|---|--|
| Oct - Dec 2011 | Update planning information and risk assessments Set testing strategy Start to document and walkthrough financial systems Agree overall plan and reliance with Internal Audit Initial high level VFM conclusion risk assessment | in progress initial draft, to be updated across audit in progress initial agreement, to be updated across audit done |
| January 2012 | Draw together update of planning and risk assessments Issue detailed audit plan Finalise report on 2010/11 grants | To Audit Committee 18 January 2012 " |
| January - April | Document and walkthrough financial systems VFM conclusion detailed risk assessment | |
| 18 April | Progress report Request for assurances from Audit Committee | |
| April - June | Review IA files and testing where we are planning to rely on their work Complete systems documentation Complete and top up testing required Continue to review relevant reports and outcomes relevant to VFM conclusion | |

| Period | Work planned | Delivered |
|-----------------|---|-----------|
| 4 July | Progress Report to Audit Committee Receive assurances from Audit Committee (to be discussed) | |
| July - August | Update final accounts planning Deliver final accounts audit Vfm conclusion work completed Plan and begin grants work | |
| September | Complete and review final accounts audit and work on VFM conclusion complete WGA audit Discuss audit findings with S151 officer Prepare Annual Governance Report Sign opinions by due date 30 September Ongoing work on Grants | |
| 19 September | Present Annual Governance Report to Audit Committee | |
| October onwards | Prepare opinion audit report to officers (if required) Annual Audit Letter | |

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Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946