

Annual Audit Letter

Oxfordshire County Council

Audit 2010/11



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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

I have included only significant issues in this report.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I issued an unqualified opinion on your financial statements for 2010/11:

- a few amendments were made to the accounts;
- the overall quality of the accounts, working papers and officer support for the audit was particularly good.

Value for money

I issued an unqualified conclusion stating that you have adequate arrangements for securing economy, efficiency and effectiveness in the use of your resources. I am satisfied that you have proper arrangements in place for securing financial resilience given heightened financial pressures and for challenging how you secure value for money.

Current and future challenges

You face major challenges because of increased financial pressures as well as doubt about future funding.

Table 1 sets out the most significant challenges and your response to them.

<p>Economic downturn and pressure on the public sector</p>	<p>You have recognised considerable financial pressures in the medium term from increasing service needs and reducing income streams. You have addressed these pressures with strengthened challenge and support at a corporate level to help ensure that savings plans are achievable. You have recognised areas where more needed to be done to set out a comprehensive and achievable plan for securing the savings and are taking action in these areas. As a result, despite £58.7 million of savings required in 2011/12 you remain on target to hit most directorate budgets with some small variances that are both similar to prior years and manageable.</p> <p>You have set out £62.7 million of further savings required from 2012/13 to 2014/15. The financial management arrangements you have put in place and then strengthened in 2010/11 means that you are well placed to deliver these targets.</p>
<p>Income streams</p>	<p>The government has made some changes to grant funding over the last 18 months. You have addressed the changes within your Medium Term Financial Plan and retained your financial resilience. The Local Government Resource Review is now considering the way that Local Government is funded. This is likely to lead to further changes to the way grant income is allocated from 2013/14. It is also possible that the new system itself may create a less predictable income stream when implemented. You recognise the uncertainty this creates and are well placed to deal with it.</p>

Financial statements and annual governance statement

Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified true and fair audit opinion on your financial statements for 2010/11. My audit identified a few errors that you amended your statements for but overall the level of errors was low.

2010/11 was the first year that the statements were required to be produced under International Financial Reporting Standards. This required a significant amount of additional work to prepare the accounting records. You approached the new requirements in a proactive and realistic way committing sufficient resources to the project. As a result your financial statements addressed the requirements well and you were able to provide particularly good working papers and evidence for audit.

I did not identify any significant weaknesses in the design or operation of internal control that might result in a material error in your financial statements.

Value for money

I considered whether you are managing and using your money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that you have adequate arrangements.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>You have a history of strong financial management over the last few years and have managed financial risks well achieving a stable financial position. You strengthened your processes further in 2010/11 with increased corporate challenge and support. In particular you set up the Business Strategy Challenge Group and implemented additional monitoring reports that have increased scrutiny. You recognised a degree of risk against some of the savings areas and have taken or are taking action to address this. As a result, despite £58.7 million of required savings in 2011/12, you are on track to meet directorate budgets with only small and manageable variances arising to date. In addition, you are also well placed to meet the further £62.7 million of savings required up to 2014/15.</p>

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key messages

You have a history of understanding your costs well and using comparative service data to make value for money improvements. You have also consulted residents to inform your priorities and where savings should fall. In addition, the degree of member scrutiny and challenge of where and how savings will fall has been increased. These arrangements will help ensure that value for money is kept as strong as possible given the reduced resources.

Closing remarks

I have agreed this letter with the Chief Executive and the Assistant Chief Executive and Chief Finance Officer. I will present this letter at the Audit Committee on 16 November 2011 and will provide copies to all members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit fee letter	April 2010
Opinion 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

You have taken a positive and constructive approach to our audit. I wish to thank your staff for their support and co-operation during the audit.

Maria Grindley

District Auditor

November 2011

Appendix 1 – Fees

	Actual	Proposed	Variance
Code of Practice Fee	272,500	271,500	1,000
Non-audit work	0	0	0
Total			

The £1,000 additional fee related to review of severance cases.

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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