



INFRASTRUCTURE,  
GOVERNMENT AND HEALTHCARE

## **Annual Audit Letter 2008/09**

Oxfordshire County  
Council

26 November 2009

AUDIT

# Content

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This report is addressed to Oxfordshire County Council and has been prepared for the sole use of Oxfordshire County Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact June Awty, who is the engagement partner to Oxfordshire County Council, telephone 0207 311 1769 email [june.awty@kpmg.co.uk](mailto:june.awty@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

## Executive Summary

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### Purpose

This Annual Audit Letter (the letter) summarises the key issues arising from our 2008/09 audit at Oxfordshire County Council ("the Authority"). Although this letter is addressed to the Board members of Oxfordshire County Council, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). It is the responsibility of the Authority to publish the letter on the Authority's website. In the letter we comment on our audit work at the Authority over the last year. We have already reported the matters covered in this letter to you throughout the year and a list of all reports we have issued is provided in Appendix 1.

### Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's *Code of Audit Practice* (the *Code*) which requires us to review and report on your:

- *use of resources* - that is whether you have made proper arrangements for securing economy, efficiency and effectiveness ('value for money') in your use of resources. Our work in this area is summarised in section 2; and
- *accounts* - the Financial Statements and the Annual Governance Statement, summarised in section 3.

### Key Messages

The key areas which we draw to your attention to are:

- Our use of resources assessment, the first under the Audit Commission's new UoR regime, demonstrated that the Council has sound processes in place and is achieving positive outcomes in all three themes (managing finances, governing the business and managing resources). The overall assessment for the Council is level 3 (performing well).
- We issued unqualified audit opinions on the Authority's financial statements, the pension fund's financial statements and on the Authority's value for money conclusion on 23 September 2009.

### Future Accounting Issues

- From 2010/11 local government bodies are required to prepare their financial statements under International Financial Reporting Standards (IFRS) and therefore the Council will need to be preparing for this transition. This means that the 2009/10 accounts have to be restated for comparative purposes.
- Those Local Authorities in the Carbon Reduction Commitment scheme will need to start reporting their usage from 1 April 2010 and recording these transactions within their financial statements with effect from 1 April 2011. There will be implications for cash flow, energy bills, and investment decisions and these could be significant. There are opportunities in addressing sustainability with clear cost reduction opportunities from saving energy which will become significant over time. There are also opportunities to use the sustainability agenda to support the achievement of business challenges.
- Sustainability performance - The Treasury is developing guidance for 2010/11 which will require all public sector bodies to report publicly on sustainability performance in annual reports. CIPFA is in discussion with the Treasury about when and in what form this requirement will be formalised for local authorities. The reported information will be subject to audit and scrutiny. Sustainability reporting will be difficult to implement and many organisations will need to act soon to implement new information gathering processes.
- Public expenditure forecasts indicate that there will be significant pressure on local authorities' funding in the medium term. Future financial settlements will be extremely tight, increasing the need for local authorities to have comprehensive efficiency programmes supported by sound financial management arrangements. It is likely that bold measures will be required to generate sufficient savings to mitigate the impact on priority services. More than ever before, officers and Members will need to focus on identifying these significant savings measures and ensuring that robust arrangements are in place to monitor their delivery to ensure they are realised. The Authority has a good track record in delivering such efficiency and savings targets and already has major programmes in place. It will, however, be necessary to revisit and update the Authority's plans to ensure that they can deliver the levels of savings required for the future.

### Acknowledgements

This has been our final year as Oxfordshire County Council's external auditor and we should like to take this opportunity to thank officers and members for their help and co-operation during our audit this year and throughout our appointment.

# Use of resources – Oxfordshire County Council

The main elements of our use of resources work are:

- *Use of Resources* - from 2008/09, the Audit Commission introduced a new UoR assessment framework which forms part of the Comprehensive Area Assessment (CAA). This replaced the former UoR assessment which was predominantly focused on processes – the scope of the new regime is wider as it also considers whether public bodies have achieved significant and sustainable outcomes. UoR assessment comprises three themes which consider:
  - Managing finances – focusing on sound and strategic financial management;
  - Governing the business – focusing on strategic commissioning and good governance; and
  - Managing resources – focusing on the management of natural resources, assets and people.
- *Value for money conclusion* – we issue a conclusion on whether we are satisfied that you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is based on the UoR assessment and on any local reviews carried out.

The findings from this work are summarised below.

Element of work	Key findings								
<b>Use of Resources</b>	<p>Our assessment of the Authority against the three specified themes resulted in the following scores on a scale of one (inadequate) to four (performing strongly):</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #003366; color: white;">Area</th> <th style="background-color: #003366; color: white;">Score</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e6f2ff;">Managing Finances</td> <td style="background-color: #e6f2ff; text-align: center;"><b>3</b></td> </tr> <tr> <td style="background-color: #e6f2ff;">Governing the Business</td> <td style="background-color: #e6f2ff; text-align: center;"><b>3</b></td> </tr> <tr> <td style="background-color: #e6f2ff;">Managing Resources</td> <td style="background-color: #e6f2ff; text-align: center;"><b>2</b></td> </tr> </tbody> </table> <p>The Authority achieved a score of 4 for KLOE 2.3 “Does the organisation promote and demonstrate the principles and values of good governance”. The overall score was determined by the Audit Commission as level 3 (performing well).</p> <p><b>Managing Finances</b></p> <p>The Council has:</p> <ul style="list-style-type: none"> <li>● strong financial leadership according to an independent assessment;</li> <li>● consistently achieved its financial targets and budgets;</li> <li>● responded quickly and proactively to address the issues created by the recession;</li> <li>● developed extensive consultation arrangements with the public, partners and others on services and their delivery and reporting of the results;</li> <li>● systems that deliver good quality data together with good arrangements for monitoring performance and taking corrective action when appropriate;</li> <li>● a track record of delivering service improvements whilst maintaining or reducing costs and delivering efficiency savings.</li> </ul> <p>A case study on the Council’s financial leadership and financial management training programme has been selected for inclusion within a group of case studies to be published on the Audit Commission’s website as examples of notable practice.</p>	Area	Score	Managing Finances	<b>3</b>	Governing the Business	<b>3</b>	Managing Resources	<b>2</b>
Area	Score								
Managing Finances	<b>3</b>								
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Managing Resources	<b>2</b>								

# Use of resources – Oxfordshire County Council

Element of work	Key findings
<p><b>Use of Resources</b></p>	<p><b>Governing the Business</b></p> <p>The Council has:</p> <ul style="list-style-type: none"> <li>• improved procurement arrangements especially in commissioning;</li> <li>• effective partnership arrangements;</li> <li>• developed Business Continuity Plans for all critical services which are reviewed and tested at least annually;</li> <li>• an Information Governance Group which monitors compliance with the Council's corporate and ICT policies;</li> <li>• high quality governance arrangements, recognised externally, which cover:               <ul style="list-style-type: none"> <li>➢ partnerships – evaluation and effectiveness;</li> <li>➢ internal and external training for members and staff; and</li> <li>➢ internal reviews such as ethical governance undertaken in 2008;</li> </ul> </li> <li>• strong risk management arrangements;</li> <li>• improved project risk management following previous criticism;</li> <li>• supplemented its Audit Committee with an effective Audit Working Group which has an independent chairman;</li> <li>• an effective internal audit function.</li> </ul> <p><b>Managing Resources</b></p> <p>The Council was required to be assessed on KLOE 3.1 (effective use of natural resources) and KLOE 3.2 (managing its assets) this year.</p> <p>The Council has:</p> <ul style="list-style-type: none"> <li>• developed a Carbon Management Strategy and Implementation Plan establishing the baseline and setting targets for improvement;</li> <li>• issued guidance for staff on sustainable procurement;</li> <li>• initiatives to reduce emission from its street lighting and vehicles along with other energy saving measures;</li> <li>• produced a Joint Waste Management Strategy with targets to 2015. The Council is one of the highest performing councils in recycling and waste reduction;</li> <li>• a corporate Asset Management Plan based on corporate priorities aimed at making more effective use of assets</li> <li>• developing a Better Offices programme, improving facilities and making them fit for purpose;</li> <li>• joined with other bodies to share property; and</li> <li>• undertaken a programme of Fit for Purpose surveys of schools.</li> </ul>
<p><b>Value for money conclusion</b></p>	<p>We issued an unqualified value for money conclusion on 23 September 2009. Having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Oxfordshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.</p>

# Use of resources – Fire and Rescue service

A separate Use of Resources review is undertaken of the Fire and Rescue service. The main elements of our use of resources work are similar to those undertaken for the County Council with certain elements based on the County Council arrangements and performance:

- *Use of Resources* - from 2008/09, the Audit Commission introduced a new UoR assessment framework which forms part of the Comprehensive Area Assessment (CAA). This replaced the former UoR assessment which was predominantly focused on processes – the scope of the new regime is wider as it also considers whether public bodies have achieved significant and sustainable outcomes. UoR assessment comprises three themes which consider:
  - Managing finances – focusing on sound and strategic financial management;
  - Governing the business – focusing on strategic commissioning and good governance; and
  - Managing resources – focusing on the management of the workforce.
- *Value for money conclusion* – we issue a conclusion on whether we are satisfied that you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is based on the UoR assessment and on any local reviews carried out.

The findings from this work are summarised below. In a number of instances the scores awarded to the County Council at sub-KLOE level are carried over into the Fire and Rescue Service score. We have therefore commented only on issues specific to the Fire and Rescue Service.

Element of work	Key Findings								
<b>Use of Resources</b>	<p>Our assessment of the Service against the three specified themes resulted in the following scores on a scale of one (inadequate) to four (performing strongly):</p> <p>Overall the Service has scored a 3 (performing well). It scored a 3 in each of the three KLOEs.</p> <table border="1" style="margin: 10px auto;"> <thead> <tr> <th style="background-color: #003366; color: white;">Area</th> <th style="background-color: #003366; color: white;">Score</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9e1f2;">Managing Finances</td> <td style="background-color: #d9e1f2; text-align: center;"><b>3</b></td> </tr> <tr> <td style="background-color: #d9e1f2;">Governing the Business</td> <td style="background-color: #d9e1f2; text-align: center;"><b>3</b></td> </tr> <tr> <td style="background-color: #d9e1f2;">Managing Resources</td> <td style="background-color: #d9e1f2; text-align: center;"><b>3</b></td> </tr> </tbody> </table> <p><b>Managing Finances</b></p> <p>The Fire and Rescue Service:</p> <ul style="list-style-type: none"> <li>• is 1 of only 9 fire and rescue services within county councils with a service score of 4; and</li> <li>• continues as a low cost, high performing service.</li> </ul> <p><b>Governing the business</b></p> <p>The Fire and Rescue Service:</p> <ul style="list-style-type: none"> <li>• is actively addressing the issues of diversity and inequality in the county identifying “at risk” groups;</li> <li>• is working closely with other bodies to increase the number of fire alarms in domestic premises;</li> </ul>	Area	Score	Managing Finances	<b>3</b>	Governing the Business	<b>3</b>	Managing Resources	<b>3</b>
Area	Score								
Managing Finances	<b>3</b>								
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# Use of resources – Fire and Rescue service

Element of work	Key Findings
<p><b>Use of Resources</b></p>	<p><b>Governing the business (continued)</b></p> <p>The Fire and Rescue Service:</p> <ul style="list-style-type: none"> <li>• achieved improvement in 83.33% of national performance indicators (PIs) compared with a national average of 69%;</li> <li>• has 67% of its Performance Indicators in the top quartile and 92% are above average;</li> <li>• has reduced the number of accidental dwelling fires by more than 5%;</li> <li>• is a member of a regional procurement group of fire authorities which is delivering savings; and</li> <li>• has low sickness levels.</li> </ul> <p><b>Managing resources</b></p> <p>The Fire and Rescue Service was assessed only on KOLE 3.3 “Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities” this year.</p> <p>The Fire and Rescue Service has developed its strategic plan for recruitment and retention and continued to improve its position in 2008/09. Applications for employment have increased as has the number of staff retained. Sickness levels have fallen. There is a greater understanding of the reasons for absence and increased monitoring of reasons for absence has taken place.</p>

## Financial statements

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### **Audit opinion**

We issued an unqualified opinion on the Authority's accounts on 23 September 2009. We have also confirmed that the information presented in the Annual Governance Statement is consistent with the accounts and complies with statutory guidance.

Before we give our opinion on the accounts, we are required to report to those charged with governance any significant matters identified. Our report was dated 14 September 2009 and was presented to the Audit Committee on 23 September 2009.

### **Accounts production and adjustments to the accounts**

We did not identify any material adjustments to the financial statements for 2008/09. We identified a small number of minor presentational adjustments to the notes to the accounts, all of which were corrected by management.

### **Whole of Government Accounts ('WGA')**

The deadline for submission of the WGA return to the Department for Communities and Local Government was 1 October 2009. We completed our audit of the WGA return and signed an unqualified opinion on 29 September 2009.

### **International Financial Reporting Standards (IFRS)**

The Authority's finance team has a project plan to manage the transition to IFRS and meet the required timetable.

**Appendix 1: Reports issued**

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We set out below the reports issued during the year.

<b>Report</b>	<b>Date issued</b>
2008/09 Audit Plan	4 March 2008
ISA 260 Report on Audit to those charged with Governance	14 September 2009
Annual Audit Letter 2008/09	26 November 2009

**Appendix 2: Fees**

	<b>Plan 2008/09</b>	<b>Actual 2008/09</b>
<b>Financial Statements and Statement on Internal Control</b>	£147,500	£147,500
<b>Use of resources (2008 assessment)</b>	£72,300	£72,300
<b>NFI</b>	£1,000	£1,000
<b>Whole of Government Accounts</b>	£3,050	£3,050
<b>Queries from electors/whistle-blowing complaints</b>	-	£6,450
<b>Total audit fee</b>	<b>£223,850</b>	<b>£230,300</b>

The planned audit fee for the Authority is as set out in the Audit Plan, presented to the Audit Committee in March 2008. All fees shown are net of VAT.

For grants we have not stated a fee as grant audits for 2008/09 have not yet been finalised.

In accordance with Audit Commission requirements, the following additional areas of work were undertaken. The fees for this work are in line with Audit Commission guidance notes.

- Use of Resources – Oxfordshire County Council (2009 assessment - £85,000)
- Use of Resources – Oxfordshire Fire and Rescue Service (2009 assessment - £12,000)
- Data Quality – Oxfordshire Fire and Rescue Service (2009 assessment - £5,000)

The fee in respect of queries from electors/whistle blowing complaints relates to time incurred in responding to such matters brought to the attention of the auditor, in accordance with the provisions of the Audit Commission Act 1998.