

Annual governance report

Oxford City Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes messages arising from my audit of your financial statements and the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

My audit is substantially complete. At this stage, subject to agreeing the final amended version of the financial statements and the work on the Comprehensive Income and Expenditure Account providing me with the required assurance, I expect to issue an unqualified audit opinion.

I have identified the following improvements:

- most of the issues I identified in 2010/11 have not recurred in 2011/12; in particular action to improve the reconciliation between the financial ledger and the financial statements was a success;
- there has been a significant improvement in controls performance from last year;
- with a few exceptions working papers have been of a good quality; and
- there has been a prompt responses to queries.

However I did find that:

The non distributed costs line in the Comprehensive Income and Expenditure Statement contained errors. The Council reviewed the transactions in this line and made a number of amendments to the Comprehensive Income and Expenditure Statement. I also had to undertake additional testing to provide me with assurance that the Comprehensive Income and Expenditure Statement did not contain material errors. This work identified that grants distributed by the Council had not been classified correctly and further amendments were required to the Comprehensive Income and Expenditure Statement. I will need to raise an additional fee for this work because:

following identification of the error I needed to do additional testing to confirm the size and extent of it;

agreeing the amendments was also time consuming as the impact of the changes was extensive and required the amendment of many items in the Comprehensive Income and Expenditure Statement; and

I had to check for accuracy the review undertaken by the Council.

I will be able to confirm the cost of this work when I have completed my audit.

- working papers for the Housing Revenue Account could be improved. I raised a number of queries on this area and a number of amendments have been made to the note.
- The leases note requires amendment and did so in 2010/11.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure financial resilience and to secure economy, efficiency and effectiveness in your use of resources.

You have robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

Table 1: **Threats and safeguards**

Threat	Safeguard
The spouse of the Team Leader works for City Works.	The Team Leader has not undertaken any audit work on City Works or on Payroll.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

The Council's financial statements include a number of items which make the production and subsequent audit more complicated, these include the large property portfolio, group accounts and housing stock. Whilst I have identified a good improving trend in a number of areas there are still some improvements to be made.

I am pleased to report that the issues I raised last year about the difficulties in agreeing the ledger to the financial statements have been actioned and my audit of this area was a lot easier this year with fewer queries being raised with the Council's finance team. I identified an improvement in the working papers provided with the main exception to this being the working papers to support the Housing Revenue Account.

The non distributed costs line in the Comprehensive Income and Expenditure Statement contained errors. The Council reviewed the transactions in this line and made a number of amendments to the Comprehensive Income and Expenditure Statement. I also had to undertake additional testing to provide me with assurance that the Comprehensive Income and Expenditure Statement did not contain material errors. This work identified that grants distributed by the Council had not been classified correctly and further amendments were required to the Comprehensive Income and Expenditure Statement. I will need to raise an additional fee for this work.

Recommendation

R1 The Council needs to remind staff of the guidance on the classification of income and expenditure in the Comprehensive Income and Expenditure Statement and ensure that this is understood. Checks should be undertaken by a senior staff member to ensure that the guidance is being followed.

Whilst I have identified an improving trend in the production of working papers, those for the Housing Revenue Account need further improvement. I raised a number of queries on this area and a number of amendments have been made to the notes.

Recommendation

R2 The HRA account and supporting working papers should be subject to review before the 2012/13 financial statements are finalised and passed over for audit. This should help to pick up any errors made.

I raised a number of issues on the lease disclosure note in 2010/11 and the note was amended. A subsequent review of the 2010/11 lease disclosure by the Council identified further errors and these have been corrected in the 2011/12 disclosure and an explanation provided for the changes. This year I also raised a number of issues and the note was further amended. Given the large number of leases held by the Council it is important that they are accounted for and disclosed appropriately.

Recommendation

R3 The Council need to ensure that they have the appropriate information to not only make the appropriate disclosures in the financial statements but also manage the whole process of leases. I found that the current workbook developed by the Council provides the basis for this. Arrangements need to be put in place to ensure that information on new and expiring leases and changes to lease terms are shared between Legal, Estates and Finance on a timely basis.

Related party transactions – three Members did not make returns.

Recommendation

R4 Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures.

I found that there was a general issue on classification of transactions and subsequent disclosure in the financial statements. I found a need for more precision in the classification of items in notes to ensure that they are disclosed appropriately. For example, whilst the total income figure was materially correct, the allocation of items to individual lines needs to be improved.

Recommendation

R5 Ensure that the coding structure in place supports appropriate disclosures in the financial statements. Ensure that staff are aware of the guidance on coding and receive appropriate training. Undertake sample checking by a more senior member of staff to confirm the accuracy of the coding.

Uncorrected errors

A number of uncorrected errors have been identified. Details of these have been reported in Appendix 2.

Corrected errors

A number of errors identified during the audit have been corrected. Details of these errors are shown in Appendix 3. There were also several presentational errors and omissions and I have discussed these with the Council's Finance Team and suitable amendments have been made. I have not detailed these within this report or Appendix 3.

Significant risks and my findings

I reported to you in my Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 2: Risks and findings

Risk	Finding
<p>Heritage Assets</p> <p>In 2011/12 the Council needs to meet the requirements of FRS 30 Heritage Assets. The risk is the Council may be unable to identify and account for all heritage assets because of the large number of such assets.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities, held and kept principally for its contribution to knowledge and culture. For the Council this is likely to include your Civic Regalia.</p>	<p>I evaluated the design and implementation of management controls to recognise and value heritage assets.</p> <p>I have also tested a sample of heritage assets to confirm that they have been correctly classified in line with FRS 30 and the Code and that they exist.</p> <p>My testing has not identified any significant issues to bring to your attention.</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Council must value PPE at fair value (with some exceptions). The risk is that the value in the financial statements will be materially misstated because of past problems, and the use of spreadsheets rather than a specific fixed assets system.</p> <p>The value of the Council’s housing stock is material and there is a risk that it may be materially misstated because of concerns over the adequacy and accuracy of its housing stock records.</p> <p>The risk is there will not be a full disclosure of investment properties and Assets Held for Sale.</p>	<p>I evaluated the design and implementation of controls for the fixed asset system.</p> <p>A number of procedures have been performed to get assurance that the valuation and depreciation of property, plant and equipment accounted for by the Authority and disclosed in the financial statements was in line with the requirements of the IAS 16 and the Code. Testing included:</p> <ul style="list-style-type: none"> - reviewing valuation reports and agreeing information from the reports (including revaluations and asset lives) to the fixed asset register. - sample testing depreciation to confirm that depreciation has been correctly calculated. - sample testing assets held for sale to ensure that they have been correctly classified. <p>My testing has identified errors in the PPE notes and these are included in Appendix 2 and Appendix 3.</p>
<p>Operating Leases</p> <p>The calculation of the lease disclosure was incorrect in 2010/11</p>	<p>I have tested the operating lease disclosure to ensure that it is materially correct.</p> <p>However I did raise a number of issues and a number of amendments have been made to the disclosure.</p>

Risk

Icelandic banks

The Council has deposits in Icelandic banks and I need to ensure that proper accounting treatment and disclosures are made.

Finding

I have reviewed the latest guidance on deposits held with Icelandic banks to satisfy myself that your financial statements are materially correct in respect of recognising and measuring the recoverable amount from your investments in Icelandic banks.

Housing Revenue Account (HRA) reform

The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off payment to or from central government by 28 March 2012 to adjust the HRA debt of the Council. Because of the complexity, size and timing of the HRA reform, there is a risk that the financial statements will be materially misstated.

I have evaluated management's oversight of HRA reforms and the transactions required by the Authority.

I have agreed the detail on the settlement payment or receipt to the DCLG notification.

My testing has not identified any significant issues to bring to your attention.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

My review of the control environment has not revealed any significant weaknesses in internal control that may lead to a material misstatement of the financial statements.

Overall I have identified improvements in the operation of your controls and this represents an improving trend as I found more controls working as intended this year. However there are some reconciliations between financial systems and the general ledger, for example property plant equipment, car park income and housing rents, which could be improved.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Other audit matters of governance interest.

I discussed the valuation of the surplus assets with the Council's Finance Team. During these discussions it became apparent that there was a difference in the guidance provided by the DCLG to that in the CIPFA Code of Practice for Local Government. The Council sought advice from CIPFA and the response confirmed that the valuation method set out in the CIPFA Code of Practice for Local Government and used by the Council was acceptable.

The Council identified an error in the 2010/11 valuation of a property. The Council have corrected the valuation of this property in the 2011/12 accounts presented for audit. After submission of the 2011/12 financial statements the Council identified three hostels which had been recorded twice in the financial statements, and five council houses that had been demolished during the year. Amendments to correct these items totalled £1m.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. I have no matters to report.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan I reported to you that I had not identified any significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 3: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</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>The organisation has proper arrangements in place for securing financial resilience.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The organisation has proper arrangements in place for securing economy, efficiency and effectiveness.</p>

I am required to consider the Authority's arrangements to secure economy, efficiency and effectiveness.

For 2011/12 the Commission has determined that the scope of my work on value for money at the Authority is limited to:

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- other risk-based work as suitable.

As I reported in my Audit Plan:

- I am not aware of any relevant work of other relevant regulatory bodies or inspectorates; and
- I have not identified any significant risks requiring specific risk-based work.

I have reviewed your AGS and I have no matters that I need to report.

Fees

I reported my planned audit fee in the Audit Plan.

I will agree with the Executive Director, Organisational Development and Corporate Services a revised to fee because of the matters highlighted in this report.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	190,000	TBC
Certification of claims and returns	74,500	74,500
Non-audit work	None	None
Total	264,500*	TBC

*The Audit Commission has paid a rebate of £15,192 (8% of £190k) to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £249,308.

I can report that no non-audit work has been undertaken.

Appendix 1 – Draft independent auditor’s report

Opinion on the financial statements

I have audited the financial statements of Oxford City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Oxford City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director, Organisational Development and Corporate Services and auditor

As explained more fully in the Statement of the Executive Director, Organisational Development and Corporate Services Responsibilities, the Executive Director, Organisational Development and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director, Organisational Development and Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Oxford City Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Oxford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Oxford City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Maria Grindley
District Auditor

Unit 5

Isis Business Centre

Horspath Road

Oxford OX4 2RD

Xx September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Property, Plant and Equipment. Note 12 and 28	Incorrect brought forward of asset lives resulting in incorrect depreciation calculation.		231	231	
Grant income Note 34	Community safety grant of £401,000 not included in income when it should have been as no restrictions placed on the grant by the sponsoring agency.	401			401
Statement of comprehensive income and expenditure Property, Plant and Equipment	There is an inconsistency (£209,000) between the surplus on the revaluation of PPE assets disclosed in the CIES and that disclosed in the notes 12 and 16.				
Housing Revenue Account	Rents are overstated by £26,000 because an amount was credited when it should have been debited.				

Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Statement of comprehensive income and expenditure	Incorrect classification of income and expenditure in the non distributed cost line.	£1,300	£1,300	0	0
Statement of comprehensive income and expenditure	Incorrect classification of grants distributed by the Council.	£1,412	1,412	0	0
Housing Revenue Account	HRA expenditure has been overstated by £71,000. This relates to an asset being included twice and has been removed.	Note corrected			
Housing Revenue Account	HRA assets held for sale had been disclosed at £419,000 but the correct value is £74,000.	Note corrected			
Housing Revenue Account	Capital receipts received should be £6,028,000 not as originally shown as £6,362,000.	Note corrected			
Housing Revenue Account	£65,000 of REFCUS expenditure was included in depreciation	Note corrected			

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Housing Revenue Account	A note disclosing the breakdown of the specified items included within the adjustment line between the accounting and funding basis was not provided.	Note corrected			
Housing Revenue Account	The disclosure for the subsidy claim has been incorrectly stated and needs amending from £12,977,000 to £13,155,000.	Note corrected			
Cash flow statement	Accounting for NNDR and CT in the cash flow statement. The difference, £284,802 between the share of cash received from Council and NNDR Tax Payers is included in the cash in transit in debtors. This means that other financing activities is overstated and non cash movements is understated.	Note corrected			
Property Plant and Equipment Note 12 & 38	The Council has not disclosed all material impairment losses. There were two during the year, totalling £5,800,000.	Note corrected			
Investment Property Income Note 14	Rental income in note 14 £5,770,000 does not agree to supporting work book £5,739,000. Income overstated by £31,000	31	31		
Revaluation reserve Note 24	Amounts of £85,000 and £37,000 had been disclosed in the wrong line.	Note corrected			
Operating Leases (as lessor) Note 37b	The workbook to support the lease disclosure included some errors. The amount needs amending from £80,075,000 to £79,714,000. The errors total £361,000.	Note corrected			

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Non-Current Assets Additions. Note 12	Parking meters at Park and Rides classified incorrectly as other land and buildings. £72,000 moved to vehicles, plant and equipment.	Note corrected			
Finance Lease as lessee - Note 37a	Contingent rent disclosure for St Aldates, under note 37a (finance leases as lessee), for £75,000 is missing.	Note corrected			
Debtors and Creditors Notes 18 and 21	Debit balance of £236,000 on Accounts Payable to be reclassified. The amount was also incorrectly included in creditors.			236	236
Debtors and Creditors Note 18 and 21	Creditors and debtors is overstated by £2,200,000. This is because the balances are not presented net of the provision of bad debt for council tax for Oxfordshire County Council and Thames Valley Police Authority			2,200	2,200
Investment Properties - misclassification of movements in the note table. Note 14.	A difference in classification of movements between note 14 (fair value) and the FAR:GL reconciliation of £34,000 was found.	Note corrected			
Other long term liabilities Note 16	£268,000 of short term liabilities had been included in long term liabilities.	Note corrected			
Error identified by the Council					
Property, Plant and Equipment Note 12	After submission of the 2011/12 financial statements the Council identified three hostels which had been recorded twice in the financial statements, and five council houses that had been demolished during the year. Amendments to correct these items totalled £1m	Note corrected		998	998

Appendix 4 – Draft letter of management representation

Oxford City Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other [insert relevant details directors of Oxford City Council], the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance and the reasons for not correcting these items are as follows:

- reason 1
- reason 2 etc

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For accounting estimate, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements. In particular I am not aware of any material changer to proposed developments arising from planning inspection reviews:

- Barton Homes
- Blackbird Leys Pool

Signed on behalf of Oxford City Council

I confirm that the this letter has been discussed and agreed by the Audit Committee and Governance Committee on 28 September 2012

Signed

Name

Position

Date

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendations

Recommendation 1

The Council needs to remind staff of the guidance on the classification of income and expenditure in the Comprehensive Income and Expenditure Statement and ensure that this is understood. Checks should be undertaken by a senior staff member to ensure that the guidance is being followed.

Responsibility

Priority

Date

Comments

Recommendation 2

The HRA account and supporting working papers should be subject to review before the 2012/13 financial statements are finalised and passed over for audit. This should help to pick up any errors made.

Responsibility

Priority

Date

Comments

Recommendation 3

The Council need to ensure that they have the appropriate information to not only make the appropriate disclosures in the financial statements but also manage the whole process of leases. I found that the current workbook developed by the Council provides the basis for this. Arrangements need to be put in place to ensure that information on new and expiring leases and changes to lease terms are shared between Legal, Estates and Finance on a timely basis.

Responsibility

Priority

Date

Comments

Recommendation 4

Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures.

Responsibility

Priority

Date

Comments

Recommendation 5

Ensure that the coding structure in place supports appropriate disclosures in the financial statements. Ensure that staff are aware of the guidance on coding and receive appropriate training. Undertake sample checking by a more senior member of staff to confirm the accuracy of the coding.

Responsibility

Priority

Date

Comments

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