

# Annual Governance Report

Oxford City Council

Audit 2009/10

Date **September 2010**

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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Ladies and Gentlemen

## **2009/10 Annual Governance Report**

I am pleased to present the final version of my report on the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Corporate Director Finance & Efficiency on 13 September 2010. I presented a draft to the Audit and Governance Committee on 23 September 2010. I have updated the report to reflect issues found since the 23 September and to reflect comments made at the Committee meeting. The Council have also responded to the recommendations in the action plan at appendix 6.

I have not updated the report to reflect that the audit has been completed as the report reflects the position as at the date of the Audit and Governance Committee.

Yours faithfully

Maria Grindley  
District Auditor

Date 22 November 2010

# Key messages

This report summarises the findings from the 2009/10 audit which is complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

<b>Financial statements</b>	<b>Results</b>	<b>Page</b>
Unqualified audit opinion	Yes	7
Financial statements free from material error	No	7
Adequate internal control environment	Yes	7
<b>Value for money</b>	<b>Results</b>	<b>Page</b>
Adequate arrangements to secure value for money	Yes	12

## Audit opinion

- 1 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.

## Financial statements

- 2 The process for producing the accounts has improved and whilst I did identify material errors in the financial statements produced for audit these have been corrected. I did find some errors on accounting for fixed assets but less so than in prior years. While I have brought a number of issues to your attention they are not of the same magnitude as in prior years.
- 3 There were other issues identified with the systems and processes supporting the financial statements, none of these impacts on my opinion however they do require action by the Council to improve the mechanisms currently in place.

## Value for money

- 4 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have completed this work and there are no areas where the Council is performing below minimum standards to bring to Members attention. I intend to issue an unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

## Key messages

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### Audit fees

- 5 The audit is ongoing but at this stage the fees are unchanged from those originally discussed at the Audit and Governance Committee.

### Independence

- 6 I can confirm the audit is carried out following the Audit Commission's policies on integrity, objectivity and independence.

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# Next steps

**This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.**

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**7** I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- approve the letter of representation for the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council 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.**

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## Opinion on the financial statements

- 8** 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.
- 

## Errors in the financial statements

- 9** The process for producing the accounts has improved and whilst I did identify material errors in the financial statements produced for audit these have been corrected. I did find some errors on accounting for fixed assets but less so than in prior years. Whilst I have brought a number of issues to your attention they are not of the same magnitude as in prior years.
- 10** I found that:
- opening balances included variances in the 2008/09 comparatives in the financial statements and in the ledger;
  - some movements in fixed assets have been treated as disposals rather than transfers (value £4.6m estimate);
  - my initial testing of useful lives of assets found that 3 out of 16 tested were wrong or could not be substantiated. After I reported my findings officers have undertaken a review and have concluded there were more errors. The impact of these has resulted in a £3m change to depreciation;
  - a property in Charles Street included in additions has been owned by the Council since 1985 (value £170,000);
  - the reasons for revaluing a piece of housing revenue account (HRA) land at nil value re-valued after the garages on it were demolished was not documented. The land is held at nil value and all the proceeds from the sale of the land are shown as a gain on disposal (value £480,000).
  - a bank account containing £12,000 is not included in the accounts.
- 11** Other issues identified are set out in Appendix 2 (agreed amendments) and 3 (unadjusted misstatements).
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<b>Recommendation</b>	
<b>R1</b>	Roll forward closing balances accurately or provide an explanation for any proposed changes.
<b>R2</b>	Continue the work to improve fixed asset accounting and management with finance and estates working together.
<b>R3</b>	Document revaluations at the time the decision is made.
<b>R4</b>	Include all bank accounts in the financial statements.

### Other arising from the financial accounts audit

**12** I wish to bring to your attention the following:

- the bank reconciliation, following the introduction of the PARIS system was not undertaken on a timely basis. A daily reconciliation of cash receipts had been prepared but the review is not evidenced;
- the year end bank reconciliation did not follow a conventional format. I gave advice on the format and a revised reconciliation was produced. I found a difference between the bank statement and the ledger balance of £2,600 which officers have informed me is a petty cash float - this should not be included in the bank reconciliation;
- the reconciliation contained cash of £409,000 which had not been allocated to specific accounts within the financial statements due to a timing difference;
- the reconciliation also contained some low value but long outstanding items which need to be cleared;
- Internal Audit identified control weaknesses over awarding single person discounts (SPDs) and I undertook substantive testing and found in 2 out of 18 cases this was accepted on the basis of a telephone call. Council procedures state this should be followed up with a check of the electoral roll but this wasn't evidenced in these cases;
- a provision of £1.1m has been made against rent deposit payments of £2.6m. The provision is based on officers' judgement as the scheme has not been running long enough to be able to base the provision on past performance;
- the Council could not provide me with the location of laptops bought under the IT contract with the Oxfordshire County Council (value £65,000). I have been told the County have a list to show where they have been allocated, however this information should be available to evidence the management of assets;
- a schedule of cash in transit included £196,000 at 31 March 2010; however it appeared the schedule included balances rolled forward from the previous year and other adjustments. Officers agree that these balances need to be reclassified from cash and bank to debtors;



## Financial statements

- interest on Icelandic banks should be impaired as its receipt is not certain. The Council has accrued interest amounting to £175,490 on investments in Icelandic banks. The impairment calculation (£2.2m) did not consider the interest on Icelandic investments accrued after the maturity date but has now been amended;
- the Council is still using a purchase order signed in 2005 to buy the services of external solicitors: and
- The cash flow statement included two errors.

Recommendation	
<b>R5</b>	Improve the lay out of the bank reconciliation. The completion and review of this reconciliation should be done regularly and evidenced. Cash receipts should be allocated to accounts with the financial statements quickly. Long outstanding items should be cleared quickly.
<b>R6</b>	When a phone call is received for claiming single person discount (SPD) a cross-check should be performed to the electoral register prior to awarding the discount and the check should be evidenced.
<b>R7</b>	The provision against bad debts for payments made as part of the rent deposit scheme should be kept under review to ensure the amount is appropriate.
<b>R8</b>	The Council should obtain a record of the laptop allocations and confirm their location.
<b>R9</b>	Cash in transit balances should be reviewed and where necessary balances within them reclassified.
<b>R10</b>	Purchase orders should be reviewed regularly.
<b>R11</b>	Figures in the cash flow statement should be reconciled back to relevant figures in the accounts.

## Important weaknesses in internal control

- 13** I have not identified any material weaknesses in your systems of internal control. I have identified control failures in some of your financial systems and therefore I was unable to rely on them. I have undertaken substantive testing to gain assurance over the figures in the accounts for the following areas:
- Fixed assets - no material errors identified to the value of fixed assets;
  - Payroll - no errors identified and evidence provided by the Council on the operation of the nominal roll;
  - Car parking - no errors identified;
  - Fleetplan - no errors identified; and
  - Trade waste - no errors identified.
- 14** I found that in a number of areas the operation of controls was not being evidenced.

**Recommendation**

**R12** Evidence the operation of internal control and in particular ensure that reconciliations are signed off as evidence of the review.

**Accounting practice and financial reporting**

**15** I consider the non-numeric content of your financial reporting. Table 2 contains the issues I want to raise with you.

**Table 1**

Issue	Finding
Accounting Policies.	The accounting policy for long term contracts is not in line with the relevant guidance.
Financial instrument disclosure	The impairment loss for each class of financial assets (for example investments in Icelandic banks) needs to be disclosed and the additional impairment loss during 2009-10 should be disclosed.
Capital commitments	The contract with Fusion includes a commitment for the Council to spend £6m to bring property up to standard. This amount has reduced to £3.9m but there is no contract amendment to support this change.
SORP disclosure	<p>The operating lease disclosure is not in accordance with the SORP.</p> <p>The explanatory foreword does not include a brief note of the authority's current borrowing facilities and capital borrowing outlining the purpose of transactions in the year and any fixed asset acquisitions and disposals.</p> <p>As a lessor the authority has not disclosed the gross amount of assets held for use in operating leases and the related accumulated depreciation.</p> <p>Note 6.39 - states the Council have recognised contingent assets and liabilities. Contingent assets and liabilities should not be recognised, they should be disclosed only. wording that needs to be changed - the word 'recognised' should be replaced with 'disclosed'</p> <p>Pensions disclosure Q111 - the authority has not provided a narrative description of the basis used to determine the overall expected rate of return on</p>

## Financial statements

Issue	Finding
	assets including the effect of the major categories of scheme assets.
Control account reconciliations	I found that control account reconciliations did not follow a similar format and were difficult to follow. There was little evidence of review.

Recommendation
<b>R13</b> Review accounting policies yearly to ensure that they are in line with guidance. The policy for long term contracts is updated.
<b>R14</b> The Council needs to assess each item of balance sheet to see if the criteria to classify them as a financial instrument is met and disclose in the note accordingly.
<b>R15</b> All contract changes should be documented and signed by both parties.
<b>R16</b> Review the format of reconciliations to ensure that they follow a similar layout and show how the balance in the ledger reconciles to the feeder system. Reconciling items should be cleared regularly and not carried forward from one reconciliation to the next. Evidence should be provided to confirm review.
<b>R17</b> Review disclosures made in the statements to ensure that they are in line with the SORP requirements.

### Key areas of judgement and audit risk

**16** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

**Table 2 Key areas of judgement and audit risk**

Risk area	Finding
Fixed asset valuation	No material errors identified to the value of fixed assets.
Project management and quality review of the statements	The delivery of the financial statements and the quality review of supporting working papers have improved significantly.
Fixed asset software system	No material errors identified to the value of fixed assets.
Issues identified by Internal Audit	I have reviewed their work and undertaken extra testing as necessary.
Gaining enough audit assurance by the opinion date of 30 September on	My work on the claim is going well. No significant issues identified which adversely

Risk area	Finding
the Housing Benefit and Housing Subsidy claims presents a risk both to the Council and to us.	impact on the accounts.
Internal control weaknesses identified in our 2008/09 annual governance report	We have been meeting with the finance team to discuss progress made and will test the progress made when we come to do our detailed interim testing in April.
PFI and IFRC 12 concessions. The Council is not required to implement IFRS until 2010/11 however it does need to account for PFI and IFRC 12 concessions in 2009/10 where appropriate.	The Council have not needed to include any PFI or IFRIC 12 concessions in their financial statements.

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### Letter of representation

**17** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

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### Questions and objections

**18** A few local electors have exercised their rights to ask the Council to provide them with information relating to the accounts and subsequently ask me questions. One elector has made an objection against expenditure in the Council's accounts. I am currently responding to these. I may need to consider holding the audit open until I have concluded my work on the objection. There will be an additional charge to the Council for the time I spend doing this.

# Value for money

**I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I have based my conclusion on my work on the scored use of resources judgement.**

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## Value for money conclusion

- 19** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 20** I intend to issue an unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

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# Glossary

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## Annual governance statement

**21** A statement of internal control prepared by an audited body and published with the financial statements.

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## Audit closure certificate

**22** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

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## Audit opinion

**23** On completion of the audit of the accounts, auditors must give their 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;
  - whether they have been prepared properly, following the relevant accounting rules; and
  - for local probation boards and trusts, on the regularity of their spending and income.
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## Qualified

**24** The auditor has some reservations or concerns.

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## Unqualified

**25** The auditor does not have any reservations.

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## Value for money conclusion

**26** 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.

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# Appendix 1 – Independent auditor’s report to Members of Oxford City Council

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## Opinion on the accounting statements

I have audited the accounting statements and related notes of Oxford City Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Core Single Entity Financial Statements, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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## Respective responsibilities of the Corporate Director Finance and Efficiency and the auditor

The Corporate Director Finance and Efficiency's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

## Appendix 1 – Independent auditor’s report to Members of Oxford City Council

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

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### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

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### Opinion

In my opinion the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

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### Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources



## Appendix 1 – Independent auditor’s report to Members of Oxford City Council

### Council’s Responsibilities

The Council 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 regularly to review the adequacy and effectiveness of these arrangements.

### Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Oxford City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Maria Grindley

Officer of the Audit Commission

Unit 5, Isis Business Centre, Horspath Road, Oxford OX4 2RD

30 September 2010

# Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

**Table 3**

Adjusted misstatements	Nature of adjustment	Income and Expenditure Account		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Balance sheet adjustment £47k between cash and creditors	Cheques were posted twice. Credit cash, debit creditors.			47	47
Note 6.12 Movements in fixed assets	Assets treated as disposals rather than transfers. Revaluation £4,680k, disposal £2,448k and additions £1,500k figures overstated (Estimated).				
Note 7.11 Housing subsidy	Casting of 2008/09 figures - should total (£10,545k). Difference £1,000.				
Note 6.5 Employees remuneration	2008/09 S151 officers salary should be £66,382, pension £13,409.				
Note 6.43 to the cash flow	Should be reversal of prior years £852,000 and not £776,000.				

## Appendix 2 – Amendments to the draft accounts

		Income and Expenditure Account		Balance sheet	
Cash flow statement net increase in short term deposits	Movement is £2.236m and not 2.240m				
Explanatory Foreword	Typo on General Fund spend in capital paragraph should be 8.3m and not 9.3m				
Note 6.33 Movement on Reserves - Collection Fund	Note 6.33 journal was put in the wrong way round so correct figures are restated balance 1/4/09 (53k) movement 44k and balance 31 March 2010 (9k).				
Capital commitment	The revised commitment with Fusion should be disclosed in the accounts, £3.9m.				

# Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

**Table 4**

Description of error	Accounts affected	Value of error £
Testing of valuations identified 2 assets that had not incorrectly re-valued. The extrapolated error came to £21,000	Fixed asset valuation	£21,000
A bank account with £12,000 was not included in the accounts	Bank accounts	£12,000
There was an adjustment put into the revaluation reserve the wrong way round.	Revaluation reserve and capital adjustment account	£47,000
46 Charles Street has been included as an addition this year but the Council have owned it since 1985.	Note 6.12 additions	£170,000
Total		229,000

# Appendix 4 – Draft letter of representation

To: Maria Grindley  
District Auditor  
Unit 5 Isis Business Centre, Horspath Road  
Oxford OX4 2RD

## Oxford City Council- Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and Members of Oxford City Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010

### Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

### Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed 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 within the Council and the reasons for not correcting these items are as follows;

- reason 1 etc;
- reason 2
- 

### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

## Irregularities

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

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
  - irregularities involving other employees that could have a material effect on the financial statements; or
  - communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
- 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; and
  - 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.

## Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

## Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For [xyz] assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events [require/do not require] adjustment to the fair value measurement.

Auditors should ensure that this covers all areas within the financial statements on which they seek to gain representation.

## Appendix 4 – Draft letter of representation

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note X to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by the Audit and Corporate Governance Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

**Specific representations:**

[example] There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

[example] The legal claim by ABC Limited has been settled out of court by a payment of £258,000. No further amounts are expected to be paid and no similar claims have been received or are expected to be received.

Signed on behalf of Oxford City Council

I confirm that the this letter has been discussed and agreed by the Audit and Governance Committee on 23 September 2010.

Signed

Name

Position

Date

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# Appendix 5 – Value for money criteria

<b>KLOE</b>	<b>Met</b>
<b>Managing finances</b>	
Planning for financial health	<b>Yes</b>
Understanding costs and achieving efficiencies	<b>Yes</b>
Financial reporting	<b>Yes</b>
<b>Governing the business</b>	
Commissioning and procurement	<b>Yes</b>
Use of information	<b>Yes</b>
Good governance	<b>Yes</b>
Risk management and internal control	<b>Yes</b>
<b>Managing resources</b>	
Natural resources	<b>Yes</b>
Workforce	<b>Yes</b>

## Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2009/10 - Recommendations</b>						
7	R1 Roll forward closing balances accurately or provide an explanation for any proposed changes.	2	Kelly Whitehead Financial Accountant	Yes	Explanations will be provided as part of the working papers if any changes are proposed	Oct 2010
8	R2 Continue the work to improve fixed asset accounting and management with finance and estates working together.	2	Kelly Whitehead Financial Accountant	In part	<p>Asset valuations disclosed on the balance sheet were correct.</p> <p>There was not an error of £4.6m, this was just a mis treatment on disclosure note 6.12.</p> <p>A 100% review of asset lives has been undertaken and, where necessary, corrected.</p> <p>Reconciliations between asset systems are being</p>	<p>Sept 2010</p> <p>Ongoing</p> <p>With immediate</p>

## Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
			Steve Sprason Head of Corporate Assets		carried out on a quarterly basis.  In the past year new procedures have been instigated to improve fixed asset management, including closer liaison with other teams within the Council (eg Community Housing), improving property records (eg the change note procedures), and the continuing Voluntary Registration Process which involves checking existing OCC property records against the new titles that are being created. These checks are ongoing.	effect  Ongoing
8	R3 Document revaluations at the time	2	Anna Winship	Yes	Decisions to dispose of assets will be monitored for	Immediate

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	the decision is made.		Financial Accounting Manager		re-categorisation/ revaluation (if required) with immediate effect	
8	R4 Include all bank accounts in the financial statements.	3	Anna Winship Financial Accounting Manager	Yes	All bank accounts will be included in all future financial statements	Sept 2010
9	R5 Improve the lay out of the bank reconciliation. The completion and review of this reconciliation should be done regularly and evidenced. Cash receipts should be allocated to accounts with the financial statements quickly. Long outstanding items should be cleared quickly.	3	Anna Winship  Financial Accounting Manager	Yes	The bank reconciliation is up to date.  The format of the bank has been amended during the review of the process carried out to complete the bank reconciliation.  Cash receipts are allocated on a timely basis and all outstanding items are investigated and reconciled	complete  Nov 2010  Nov 2010
9	R6 When a phone call is received for claiming single person discount (SPD) a	2	AHL/Helen Bishop	Yes	This is now in place and checks are made with the	Oct 2010

## Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	cross check should be performed to the electoral register prior to awarding the discount and the check should be evidenced				following systems: Express Electors HB Academy ESP Bus Pass I-world	
9	R7 The provision against bad debts for payments made as part of the rent deposit scheme should be kept under review to ensure that the amount is appropriate	2	Gillian Chandler  Finance Business Partner	Yes	Bad debt provisions are monitored regularly as part of the monthly monitoring work. This will be reviewed quarterly as part of this process	
9	R8 The Council should obtain a record of the laptop allocations and confirm their location	2	Simon Park/David Oakes	Yes	All PC and Laptop Assets recorded with user and location details  All infrastructure Assets to be documented (with photographic evidence where possible) with location details	Jan 2011
9	R9 Cash in transit balances should be	2	Simon Park/David	Yes	All PC and Laptop Assets recorded with user and	Jan 2011

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	reviewed and where necessary balances within them reclassified.		Oakes		location details  All infrastructure Assets to be documented (with photographic evidence where possible) with location details	
9	R10 Purchase orders should be reviewed regularly.	1	Denise Sheppard Payments & Reconciliation manager	Yes	All purchasers have been reminded of the procedures to follow in placing orders and paying invoices.  The example raised was for Legal advice and considered low risk.	Complete
9	R11 Figures in the cash flow statement should be reconciled back to relevant figures in the accounts.	2	Kelly Whitehead Financial Accountant	Yes	There were 2 small errors within the statements which have been amended. Full reconciliations will be carried out in future years	Complete
9	R12 Evidence the operation of internal control and in particular ensure that	3	Anna Winship	Yes	Evidence of review is a key recommendation from both	Complete

## Appendix 6 – Action plan

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	reconciliations are signed off as evidence of the review.		Financial Accounting Manager		Audit Commission and Internal Audit. All procedure notes have been amended to include the necessity for this.	
11	R13 Review accounting policies yearly to ensure that they are in line with guidance. The policy for long term contracts is updated.	1	Kelly Whitehead Financial Accountant	Yes	The accounting policies were reviewed and this was reported to Audit & Governance committee in June 2010.	Complete
11	R14 The Council needs to assess each item of balance sheet to see if the criteria to classify them as a financial instrument is met and disclose in the note accordingly.	2	Anna Winship Financial Accounting Manager	Yes	The accounts have been amended. As part of year end processes the Council will review all Balance Sheet items in line with Financial Instruments guidance.	Complete
11	R15 All contract changes should be documented and signed by both parties.	3	Jane Lubbock Head of Procurement and Shared Services	Yes	In respect of the Fusion Leisure contract. A contract management change control framework was set up at the start of the contract for use by the	Oct 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					<p>contract manager and for the change control logs to be used to record all contract variations. These should be documented and signed off by the HOS and Fusion.</p> <p>The HOS and contract manager will ensure that no changes to the contract are agreed at any of the Leisure Boards or other meetings without them subsequently be signed off and documented in accordance with the process.</p>	ongoing
11	R 16 Review the format of reconciliations to ensure that they follow a similar layout and show how the balance in the ledger reconciles to the feeder system. Reconciling items should be cleared regularly and not carried forward from	3	Anna Winship Financial Accounting Manager	In part	All reconciling items were reviewed and officers do actively try to clear within 1 month of identification. In some cases this is not	Jan 2011



## Appendix 6 – Action plan

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	one reconciliation to the next. Evidence should be provided to confirm review.				possible.  The format of reconciliations will be reviewed, and ensure that all reconciliations are reviewed on a regular basis as part of the process.  A full list of all reconciliations is being updated and monitored on a monthly basis.	Ongoing
11	R17 Review disclosures made in the statements to ensure that they are in line with the SORP requirements.	2	Kelly Whitehead Financial Accountant	Agree	A review of SORP requirements was undertaken and a few minor disclosures were missed. These have now been addressed.	Completed

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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