

Agenda

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Audit and Governance Committee

Date: **Monday 16 April 2012**

Time: **6.00 pm**

Place: **St Aldate's Room, Town Hall**

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Audit and Governance Committee

Membership

Chair	Councillor Beverley Hazell	Marston;
Vice-Chair	Councillor Clark Brundin	North;
	Councillor Roy Darke	Headington Hill and Northway;
	Councillor Bryan Keen	Cowley;
	Councillor Mark Mills	Holywell;
	Councillor Matt Morton	St. Mary's;
	Councillor Oscar Van Nooijen	Hinksey Park;

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AGENDA

Pages

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

The Quorum for this Committee is 3 and substitutes are permitted.

2 DECLARATIONS OF INTEREST

3 AUDIT COMMISSION PROGRESS REPORT

1 - 12

The Head of Finance has submitted a report on behalf of the Audit Commission which details the progress made in delivering the work set out in the 2010/11 audit plan.

The Committee is asked to comment on and note the report.

4 INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)

13 - 22

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provides an update of the work undertaken as part of the 2011/12 Audit Plan.

The Committee is asked to comment on and note the report.

5 COMMERCIAL PROPERTY - PRICEWATERHOUSECOOPERS (PWC)

23 - 40

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the outcomes into a review of Commercial Property.

The Committee is asked to comment on and note the report.

6 RISK ASSESSMENT AND INTERNAL AUDIT PLAN 2012/13

41 - 56

The Head of Finance and submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which sets out the risk assessment and internal audit plan for Oxford City Council.

The Committee is asked to comment on and note the report.

7 RISK MANAGEMENT STRATEGY

57 - 76

The Head of Finance has submitted a report which presents the updated Risk

Management Strategy for consideration.

The Committee is asked to consider the report and make recommendations as appropriate to the City Executive Board.

8 ANNUAL REVIEW OF THE AVOIDING BRIBERY, FRAUD AND CORRUPTION POLICY, THE MONEY LAUNDERING POLICY AND PROCEDURE AND THE WHISTLE BLOWING POLICY 77 - 110

The Head of Finance has submitted a report which details the annual review of the police's and seeks endorsement for any changes within the policies.

The Committee is asked to note the annual review of the Avoiding Bribery Fraud and Corruption Police, the Money Laundering Policy and the Whistle Blowing Policy.

9 PREPARATION FOR THE COMPLETION OF THE STATEMENT OF ACCOUNTS FOR 2011-12 111 - 154

The Head of Finance has submitted a report which updates the Committee on the preparations being made for the completion of the Statement of Accounts for 2011-12.

The committee is asked to note the progress with the preparations for the Statement of Accounts for 2011-12 and agree the changes in accounting policies as detailed in Appendix A of the report.

10 PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS 155 - 170

The Head of Finance has submitted a report which details the progress on the implementation of internal and external audit recommendations.

The Committee is asked to comment on and note the report.

11 MINUTES 171 - 176

Minutes of the meeting held on 6th February 2012.

12 DATES OF FUTURE MEETINGS

The Committee will meet on the following dates at 6.00pm in the Town Hall:

Thursday 28th June 2012
Thursday 27th September 2012
Thursday 29th November 2012
Thursday 28th February 2013
Thursday 18th April 2013

DECLARING INTERESTS

What is a personal interest?

You have a personal interest in a matter if that matter affects the well-being or financial position of you, your relatives or people with whom you have a close personal association more than it would affect the majority of other people in the ward(s) to which the matter relates.

A personal interest can affect you, your relatives or people with whom you have a close personal association positively or negatively. If you or they would stand to lose by the decision, you should also declare it.

You also have a personal interest in a matter if it relates to any interests, which you must register.

What do I need to do if I have a personal interest?

You must declare it when you get to the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you. You may still speak and vote unless it is a prejudicial interest.

If a matter affects a body to which you have been appointed by the authority, or a body exercising functions of a public nature, you only need declare the interest if you are going to speak on the matter.

What is a prejudicial interest?

You have a prejudicial interest in a matter if;

- a) a member of the public, who knows the relevant facts, would reasonably think your personal interest is so significant that it is likely to prejudice your judgment of the public interest; and
- b) the matter affects your financial interests or relates to a licensing or regulatory matter; and
- c) the interest does not fall within one of the exempt categories at paragraph 10(2)(c) of the Code of Conduct.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest you must withdraw from the meeting. However, under paragraph 12(2) of the Code of Conduct, if members of the public are allowed to make representations, give evidence or answer questions about that matter, you may also make representations as if you were a member of the public. However, you must withdraw from the meeting once you have made your representations and before any debate starts.

Audit Commission Progress Report

Oxford City Council
Date **March 2012**



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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.

Introduction

1 My principal objective as the Council's appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice. This report sets out the progress I have made in delivering my work.

2 My audit plan sets our work based on the Audit Commission's risk-based approach to audit planning. It reflects:

- Audit and inspection work specified by the Audit Commission;
- Current national risks relevant to your local circumstances; and
- Your local risks and improvement priorities.

Our responsibilities

3 In carrying out audit work, we comply with the statutory requirements governing it, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice (the Code).

4 My audit plan is consistent with the Commission's Strategic Plan.

5 The new Audit Commission Code came into effect from March 2010 which sets out my principal objectives are to report on the Council's:

- financial statements; and
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

2011/12 audit work

6 I am currently completing my interim and early testing. No significant issues have been identified that require reporting to the Committee. I am currently discussing my findings with management and will bring agreed findings and recommendations to the next Audit and Governance Committee meeting.

Audit Commission updates

The Commission produces regular updates of issues for auditors to bring to the attention of those charged with governance. These focus on specific developments that could have an impact on the Council's activities and so the following are areas that may be of interest to Committee members.

Government response to consultation on the future of local public audit

7 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

8 The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

9 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

10 The government response provides little detail on the audit arrangements for local health bodies. The Department of Health is working through the implications of Monitor's changing role and the proposed establishment of Clinical Commissioning Groups, and will specify the detailed arrangements for the audit of local health bodies, under the new framework, in due course.

11 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

12 The Audit Commission’s Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

13 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.
-

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

-
- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission intends to publish the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board will confirm the ‘interim’ auditor appointments for the first five months of 2012/13 on 22 March 2012.
- The Commission will then write to all audited bodies on or shortly after 23 April 2012 to set out its proposals for ‘permanent’ auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate.

- To support the consultation process, the Commission is arranging a series of introductory meetings in each contract area between 30 April 2012 and 16 May 2012. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

14 The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

15 Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

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

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

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

Annual fraud and corruption survey 2011/12

18 On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

19 The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

National Fraud Initiative consultation

20 The Audit Commission is currently consulting on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

21 The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

22 The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing; the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11.

23 The consultation will close on 23 March 2012 and the final work programme and scales of fees will be published in May 2012

Local government capital finance system

24 In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

25 A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

26 DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;
- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

27 DCLG has also published an updated edition of Capital Finance: Guidance on Minimum Revenue Provision. The amendments to the statutory guidance relate to Housing Revenue Account (HRA) reform only and impact from 2012/13. The changes to the guidance are to ensure that authorities taking on new debt do not face any inappropriate increase in their minimum revenue provision liability.

Openness and accountability in local pay

28 On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

29 For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

30 The statement must be:

- approved by full Council, or a meeting of members in the case of a Fire and Rescue Authority; and
- published on its website.

Accounting for HRA Self Financing

31 In March 2012 CIPFA produced guidance on the required accounting entries for councils making or receiving settlement payments to or from the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012. These transactions take place in the 2011/12 financial year and will therefore be reflected in the Council's financial statements for the year ended 31 March 2012.

Key Considerations

32 The Audit and Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

33 Has the Council completed the Audit Commission's annual fraud and corruption survey?

34 Has the Council considered the implications of the amendments to the capital financing regulations?

35 Has the Council considered the guidance from CIPFA regarding the settlement payment to the Secretary of State in preparation for the commencement of self-financing of the HRA?

Appendix 1 Planned outputs

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
2011/12 Audit						
Audit Fee Letter	Sets out audit fee.	Chief Executive	Complete	March 2011	March 2011	26 April 2011
Audit Opinion Plan	Provides detail of our opinion work.	Chief Executive and Corporate Director Finance & Efficiency	Presented to February 2012 Audit and Governance Committee meeting	December 2011	January 2012	January 2012
Opinion on accounts and VFM conclusion: <ul style="list-style-type: none"> interim visit IFRS restatement final accounts vfm conclusion 	Audit of financial statements leading to audit opinion and vfm conclusion.	Corporate Director Finance & Efficiency		January 2012	September 2012	
Whole of Government accounts	Audit of WGA data returns	Head of Finance		July 2012	September 2012	

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
Annual Audit Letter 2011/12	Summary of the audit.	Chief Executive and Corporate Director Finance & Efficiency		September 2012	October 2012	

Grant claims 2011/12									
Grant claim	Details	Key contact	Progress	Council deadline provisional	Received from Council	Audit deadline provisional	Certified by Audit		
BEN01	Housing and Council Tax benefits	Pauline Hull		31 May 2012		30 November 2012			
HOU01	Housing Subsidy	Jane Rees		30 September 2012		31 December 2012			
HOU21	Disabled facility grant	Paul Swaffield/ John Exeley		June 2012		October 2012			
LA01	NNDR	Adrian Wood		June 2012		September 2012			
CFB06	Pooling of Housing Capital Receipts	Debbie Williams		June 2012		September 2012			

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Internal audit summary report for Audit and Governance Committee

April 2012



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Plan outturn

2011/12 Audit Plan

We have undertaken work in accordance with our 2011/12 Internal Audit Plan. We have deferred our work on the repairs and maintenance and project management reviews until 2012/13 to reflect the timing of when these projects will be carried out internally

Our revised plan and an outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix 1. At present we have completed **221 days out of a total planned 257 days (86%)**. We have 3 reports to finalise ahead of issuing our Annual Report to the June meeting and we do not anticipate any delays in these areas. In addition, we have dedicated 15 days of our 2011/12 plan for assistance in the year end process. This has been agreed with finance and will be carried out in May/June 2012. As this support is deemed “value enhancement” it does not impact on our ability to form a year end opinion.

2012/13 Audit Plan

We are delighted that we have been reappointed as the Internal Auditors for Oxford City Council for 2012/13. As a result of our contract extension we have been able to hold meetings with all Directors, Heads of Service and the Chair of this committee during March to conclude our planning for 2012/13 on a timely basis. Our draft plan has been brought in full to this meeting.

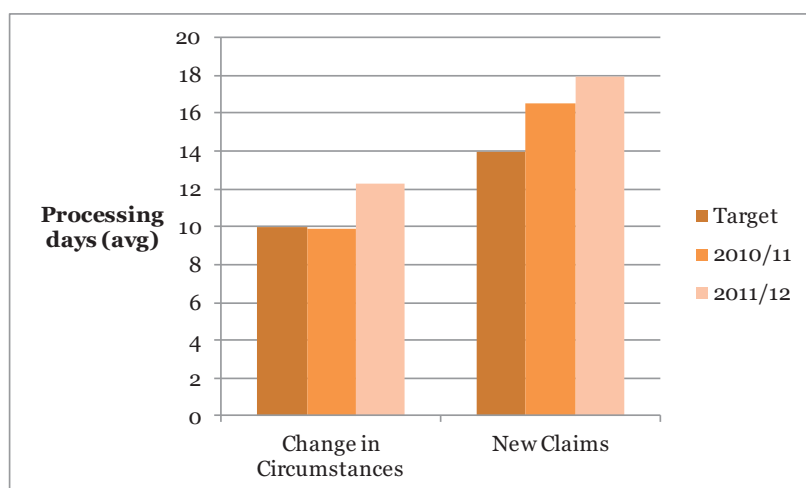
Reporting Activity and Progress

Final reports issued since the previous meeting

Housing Benefits

We reviewed the controls in place for processing Housing Benefits claims. We have classified our findings in this area as **Low Risk**. No control design issues were noted through our review of Housing Benefits, indicating that controls are designed in a way that addresses the risks associated with Housing Benefits. One medium risk issue is outstanding from prior year and reflects the decline in performance against processing indicators as depicted below. The Council should look to identify reasons for the increase in processing days and implement controls to ensure that these targets are met going forwards.

In addition, 2 low risk issues have been noted. The common theme was the need to formalise processes for monitoring and processing Housing Benefits in areas such as parameter setting and quality checking processes.



Standard Operation Procedures

Internal Audit was requested to review the existence and content of procedure notes in place for the Council's key systems as part of the 2010/11 Annual Governance Statement (AGS). The following issue was raised in the AGS:

"The results of this sample showed that 13 out of 18 systems were fully documented with procedure notes in place. For 7 of those systems, the procedure notes had not been reviewed in the past year, but for 6 of the systems the procedure notes had not been reviewed (or there was no evidence of the last review date). No information was provided for 5 of the systems."

The Council has undergone a review of procedure notes in 2011/12 and this review looked to assess the existence and content of these documents and provide an update on the issue for inclusion in the 2011/12 AGS. Policies and procedures exist for all systems tested. Some further enhancements which outline how the Council has tailored certain systems for use would improve the quality of these documents to a best practice standard.

No risk rating was given for this work

Computer Assisted Auditing Techniques

The Council currently operates a centralised creditors function that is charged with processing expenditure transactions for the Council. The following systems are used for processing purchases:

- Fleetplan – Fleet and stores purchases;
- Servitor – Housing repairs purchases;
- Agresso – Corporate purchases

We used Computer Assisted Audit Techniques (CAATs) to interrogate transactions processed on these systems in year and identified a number of potential duplicate payments and vendors that may have occurred on more than one system. This information has been passed to the revenues manager for further investigation.

Contract Assurance

We undertook a high level review of the contract management procedures for four external contracts, covering (i) Building Materials, (2) Materials Recycling Facility (MRF), (iii) Groundworks and (iv) Leisure. The objective of the review was to provide the Council with independent feedback on the following agreed elements of contract management:

- Contract ownership
- Transference of risk
- Control of scope of services
- Monitoring mechanisms
- Governance and reporting

We observed a number of good contract management practices in certain areas, including detailed knowledge of the operations, regular communication with contractors, and good working relationships between the contract managers and procurement. However, we noted further opportunity to enhance contract management, visibility and control over contractual activities such as defining the roles and responsibilities of the contract manager and creating knowledge sharing forums.

HRA

The Council has developed a model to assess the impact of the HRA reforms and to act as a medium to long term HRA financial plan. We carried out a high level review of this plan as part of our review to assess its reasonableness and impact on future funding decisions.

Based on the work performed, the outputs of this plan appear reasonable in the light of the underlying assumptions. The financial plan shows that the Council will have sufficient resources to fund its capital programme (including new build) over the first 10 years and to set aside £60m for additional capital projects. Over the longer term, the financial plan projections appear to flow from the assumptions.

Our review of the assumptions underlying the financial plan showed that they were, in the main, reasonable and in a number of cases cautious. For example, there is likely to be scope to generate additional rental income if needed, and also to achieve revenue cost savings as stock numbers reduce through right to buy. However, through HRA self-financing the Council will need to absorb a broader range of risks, including full asset management responsibility for its housing. The financial plan currently assumes that the future investment needs of existing housing are less than the allowances assumed by Government. There are other risks that the Council will now need to absorb, including welfare reforms and the impact of changes in the “Right to Buy” regime announced on 12 March. Sensitivity analysis has been performed within the plan to reflect this.

Government is encouraging local authorities to reinvest the new HRA self-financing resources to deliver new and improved housing. In view of the scale of surpluses projected in its HRA financial plan, the Council is likely

to have sufficient capacity and no immediate financial need to pursue alternatives. However, we would expect the Council to continue to consider the full range of delivery options in the context of its capacity and local needs.

Risk management and performance improvement

We undertook a high level review of the policies and procedures around both risk management and performance improvement that have been in place during 2011/12 and examine the relationship between the areas.

We noted that the introduction of Corvu by the Council has driven a number of improvements in viewing and analysing risk. However, additional work needs to be performed to ensure clear reporting frameworks are in place to allow for effective scrutiny of risks by members and management.

The Council has made significant efforts over the year to ensure performance is monitored and reported effectively. A Performance Improvement Framework has been developed which outlines the processes for ensuring continued improvement within the Authority and “Corvu” has been rolled out to ensure a joined up approach to risk and performance. The Council has in place a robust performance audit process to ensure the quality of data collected for reporting. Targets are effectively disaggregated across corporate and service levels to ensure that improvement is considered at all levels. New forums have been put in place, including the Performance and Improvement Scrutiny Panel which ensures that messages are communicated and best practice shared. We identified one medium risk issue in this area around the need to consider completeness of data reported for performance management as well as the accuracy of individual transactions.

The following report has been issued with a medium risk rating and has been brought in full to this meeting at the request of the Chair:

- Commercial Property

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas: -

- Project and Programme Management – Working Capital Project
- Lagan Post Implementation Review
- Patching Review
- ICT Contract Review

Appendix One – Plan Progress

Review	Days	Amendments	Overrun	Revised days	Quarter per plan	Progress
General Ledger	10	0	-	10	2	Final report issued
Debtors	10	0	-	10	3	Final report issued
Creditors	10	0	1	11	3	Final report issued
Payroll	10	0	-	10	3	Final report issued
Collection Fund	10	0	-	10	2	Final report issued
Cash Collection	10	0	-	10	1	Final report issued
Treasury Management	5	0	-	5	2	Final report issued
Housing Benefit	10	0	-	10	3	Final report issued
Fixed Asset Testing	10	0	-	10	4	To commence during closedown
Housing Rents	5	0	-	5	3	Final report issued
Risk Management and Performance Monitoring	15	0	-	15	3	Final report issued
Law and Governance	5	-5	-	0	1	-
Standard Procedures Review	0	2	-	2	4	Final report issued
Homelessness	5	0	-	5	1	Final report issued
Car Parking	5	0	-	5	2	Final report issued
Trade Waste	5	0	-	5	2	Final report issued
Commercial Property Income	5	0	-	5	2	Final report issued
Budgetary Control	10	0	-	10	2	Final report issued
Year end Support	10	0	-	10	4	To commence during closedown
Procurement CAATS	5	0	2	7	2	Final report issued
IT Patching	7	0	-	7	4	Draft Report issued
LAGAN	10	-4	2	8	4	Fieldwork commenced

ICT Contract Review	8	4	-	12	4	Fieldwork commenced
Contract Assurance	10	0	-	10	2	Final report issued
Project Governance	5	0	-	5	4	Deferred to 2012/13
Fraud Awareness	5	0	-	5	1	Completed
HRA Cashflow	10	-3	-	7	4	Final report issued
HRA Repairs and Maintenance	0	6	2	8	4	Deferred to 2012/13
Follow Up	10	0	-	10	-	Ongoing
Audit Management	30	0	-	30	-	Ongoing
TOTAL	250	0	5	257		

Summary of recommendations (final risk based reports only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
Car Parking	0	2	6	12	MEDIUM
Cash Collection & Establishment	0	3	3	12	MEDIUM
Treasury Management	0	1	3	6	LOW
Homelessness	0	2	1	7	MEDIUM
Debtors	0	1	2	5	LOW
General Ledger	0	2	3	9	MEDIUM
Trade Waste	0	3	5	14	MEDIUM
Financial Planning	0	1	2	5	LOW
Housing Rents	0	1	2	5	LOW
Collection Fund	1	0	3	13	MEDIUM
Payroll	0	0	2	2	LOW
Creditors	0	4	2	14	MEDIUM
Housing Benefits	0	1	2	5	LOW
Risk Management	0	1	2	5	LOW
Performance Improvement	0	1	0	3	LOW
Commercial Property	2	1	2	25	HIGH
Total	3	24	40	-	

Appendix Two – Recent PwC Publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre (PSRC) produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

Taking Responsibility – Government and the Global CEO

Global economic recovery appears not only fragile but also unbalanced, with developing economies still growing but more mature economies, particularly in Europe, flat-lining or facing double-dip recession.

Economic uncertainty and volatility continue to impact on business confidence to invest and grow. Governments need to provide political leadership to lay the foundations for a stable and lasting global recovery, with fiscal austerity the order of the day.

This report assesses the changing relationship between government and business and sets out the policy and public sector delivery responses needed to address the challenging conditions businesses are facing.

Key findings:

- **65%** of CEOs are concerned about governments' responses to fiscal deficits and the debt burden. Prioritisation, making tough choices and doing more for less (or increasingly the same for less) is the key to success.
- **48%** of CEOs believe the global economy will decline further in the next 12 months: indeed, only about 1 in 7 (15%) CEOs believe the global economy will improve in the next year.
- **54%** of CEOs are concerned about the availability of key skills as a threat to growth

Cloud Computing

Cloud computing provides a valuable business solution to transform capabilities, deliver cost savings, gain business agility and competitive advantage. CIOs must develop a proactive strategy to leverage the benefits.

CIOs must develop a cloud computing strategy at the outset or run the risk of disparate approaches within ministries or groups.

CIOs who take a reactive, “wait-and-see” approach to developing a cloud computing strategy run the risk of having the strategy and protocol dictated onto them, leaving little room for control

Fighting Fraud in Government

Since our 2009 Global Economic Crime Survey, governments around the world have taken action to address their faltering economies and this has directly impacted on those who work for, and with, the public sector.

This public sector analysis of our 2011 Global Economic Crime Survey examines the current fraud landscape, taking a close look at who is committing economic crime, what new types of fraud are emerging and how they can be addressed.

All publications can be read in full at www.psrc.pwc.com/.

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Oxford City Council

Commercial Property

FINAL

Internal Audit Report
2011/2012

March 2012

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Agenda Item 5


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Distribution List

For action	Steve Sprason (Head of Corporate Assets) Pete Johnson (Revenues Manager)
For information	Nigel Kennedy (Head of Finance) Jackie Yates (Corporate Director – Finance and Efficiency) Peter Sloman (Chief Executive)

1. Executive summary

Report classification	Trend	Total number of findings					
 High Risk (25 points)	N/A An audit of commercial Property audit was not conducted in 2010/11.		Critical	High	Medium	Low	Advisory
		Control design	0	1	1	1	0
		Operating effectiveness	0	1	0	1	0
		Total	0	2	1	2	0

Summary of findings:

The Council requested this review to examine the design and compliance with current procedures over the financial aspects of commercial property.

Two high risk issues have been noted in this review:

- 80% of commercial property invoices for new and amended properties tested that we tested were raised late, increasing recovery risk. A performance indicator should be considered; and
- The reconciliation of assets on Uniform, the property system, to the Fixed Asset Register has lapsed because of a change in staff. A reconciliation will ensure that the value and number of assets recorded in the accounts is complete and accurate. At present, limited comfort can be had in this area.

The Council has introduced a standard “change note” in year to ensure that information is provided to finance to assist the raising of invoices on a timely basis. In addition, a comprehensive reconciliation of the billing accounts held on the General Ledger to the Uniform system was performed in 2010 in order to identify additional income that the Council may be due from rent.

The Council is currently undergoing a review of standard operating procedures. Our review identified that there are currently no procedure notes in place for the set up and collection of commercial property income, though procedures are in place for the set up and collection of sundry income on the Agresso (General Ledger) system. Officers should liaise with the Council’s transformation team in order to ensure that comprehensive documents are put in place to outline the processes in this area.

2. Background and scope

Background

Commercial Property Management is one of the responsibilities of the Corporate Asset department. Commercial property belonging to the Council is spread across the city centre and includes both Council-owned offices and retail property located within the city centre and at out-of-town retail centres. Total external income from commercial property per the 2011/12 budget book is budgeted at £6,844,042.

This review seeks to understand and evaluate key controls surrounding commercial property income processes with the objective of ensuring that:

- the Council has a complete listing of all commercial property income sources;
- commercial property tenants are invoiced in a timely, complete and accurate fashion; and
- there are sufficient debt collection, recovery and write-off procedures in place to ensure that income collection is maximised

Scope and limitations of scope

Scope

We will review the design and operating effectiveness of key controls relating to commercial property income during the period 2011/12.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Setting up commercial property accounts	Accounts for use of commercial property are raised on receipt of properly authorised and complete request documentation
Processing of invoices and refunds	Invoices are raised in a timely, complete and accurate fashion Only valid and accurate credit notes are raised
Income collection	Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of income is minimised Aged debt is reviewed on a regular basis
Completeness of commercial property income streams	Systems are in place to ensure all commercial properties owned by the Council are identified and billed
Management information	Exception reports are completed to highlight trends and unusual transactions

Accounting for commercial property	Correct information on commercial property income is fed into the Council's general ledger system
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Limitations of Scope

The scope of our work will be limited to those areas outlined above.

3. Detailed current year findings

1. Fixed asset register and Uniform– Control Design

Finding		
Currently no reconciliation is undertaken between Uniform and the fixed asset register to ensure that a complete listing of commercial properties is maintained. This reconciliation was being performed on regular basis until August 2011 however this ceased following the departure of the capital accountant.		
Risks		
The Council has limited comfort that all properties are accounted for. This increases the risk that income is not maximised and property valuations are not accurately stated in the financial accounts.		
Action plan		
Finding rating	Agreed action	Responsible person / title
High	The Council has appointed a new Capital Accountant. Going forward the fixed asset register and Uniform will be reconciled on a quarterly basis.	Anna Winship
28		Target date:
		30 June 2012

2. Uniform and Agresso reconciliation- Control Design

Finding

All income is raised for commercial property on the Agresso (General Ledger) system. There is currently no reconciliation performed between Agresso and Uniform to ensure that all the rented properties are being billed.

It is understood that a full reconciliation of all property income was performed in 2010 and that the Council has plans to produce another reconciliation as part of the 2011/12 close down process.

Risks

The Council may not be billing all properties, increasing the risk that income is not maximised.

Action plan

<u>Finding rating</u>	<u>Agreed action</u>	<u>Responsible person / title</u>
Medium 29	Both finance and corporate assets are to review the reconciliation process to ensure that a formal reconciliation between Uniform and Agresso can be performed on a quarterly basis going forwards.	Pete Johnson and Richard Hawkes <u>Target date:</u> 30 June 2012

3. Management information - Operating Effectiveness

Finding		
Monthly budget reports are produced for commercial property. No report was produced in August 2011. This was due to resource constraints.		
Risks		
Variances in budget may not be noted and investigated in a timely manner.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	Budget reports have been produced on a monthly basis since this date.	David Watt
		Target date:
		Implemented

4. Processing delays and Procedure Notes- Operating Effectiveness

Finding

In order to ensure income is maximised, accounts should be set up on Agresso immediately following agreement of a tenancy. The tenancy agreement outlines the date that billing will commence. Where possible, invoices should be raised in advance. The central income team are responsible for setting up accounts and billing tenants following receipt of a change note from corporate assets.

In 4/5 new accounts tested, the income account was set up on Agresso over one month after the change note had been completed. The average processing time for this sample was 52 days. Delays were caused by both late and incomplete communication by the corporate asset team and untimely processing of change forms by finance.

Risks

Income may not be billed on a timely basis, leading to an increased risk that write offs may occur.

Action plan

Finding rating	Agreed action	Responsible person / title
High 31	Currently there is no formal procedure in place to outline the timescales for communicating change notes and processing invoices. A written procedure note will be put in place to reflect that change forms should be issued and bills raised within a set timescale (to be confirmed). In addition, a listing of what information should be provided with a change form will be included to avoid processing delays.	30 th June 2012 Target date: Richard Hawkes

5. Procedure Notes – Control Design

Finding

There are no procedure notes in place to outline the process for agreeing and setting up new tenancies. Whilst there is a process in place, the information requested from tenants differs depending on the nature of the arrangement.

Risks

Adequate checks may not be performed on tenants before leasing properties.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	Local procedure notes are in the process of being drawn up to outline all processes within commercial property. The set up process will be covered in these documents.	30 th June 2012
32		Target date:
		<u>Richard Hawkes</u>

Appendix 1. Basis of our classifications





Individual finding ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

34

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 1: Terms of Reference

Oxford City Council

Terms of Reference – Commercial Property

To: Steve Sprason, Head of Corporate Assets

From: Katherine Bennett, Audit Manager

This review is being undertaken as part of the 2011/12 internal audit plan approved by the Audit and Governance Committee.

Background

Commercial Property Management is one of the responsibilities of the Corporate Asset department. Commercial property belonging to the Council is spread across the city centre and includes both Council-owned offices based in the city centre and at Oxford Business Park and Oxford Science Park and retail property located within the city centre and at out-of-town retail centres. Total external income from commercial property per the 2011/12 budget book is budgeted at £6,844,042.

This review seeks to understand and evaluate key controls surrounding commercial property income processes with the objective of ensuring that:

- the Council has a complete listing of all commercial property income sources;
- commercial property tenants are invoiced in a timely, complete and accurate fashion; and
- there are sufficient debt collection, recovery and write-off procedures in place to ensure that income collection is maximised.

Scope

We will review the design and operating effectiveness of key controls relating to commercial property income during the period 2011/12.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Setting up commercial property accounts	Accounts for use of commercial property are raised on receipt of property authorised and complete request documentation
Processing of invoices and refunds	Invoices are raised in a timely, complete and accurate fashion Only valid and accurate credit notes are raised
Income collection	Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of income is minimised Aged debt is reviewed on a regular basis Correct information on commercial property

Accounting for commercial property	income is fed into the Council's general ledger system
Completeness of commercial property income streams	Systems are in place to ensure all commercial properties owned by the Council are identified and billed
Management information	Exception reports are completed to highlight trends and unusual transactions

Limitations of Scope

The scope of our work will be limited to those areas outlined above.

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Katherine Bennett	Audit Manager
Charlotte Bilsland	Team Manager
Emma Flynn	Team Member

Key contacts – Oxford City Council

Name	Title	Role	Responsibilities
Steve Sparson	Head of Corporate Assets	Audit Sponsor	Review and approve terms of reference Review draft report Review final report
			Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

Other Roles and Responsibilities – Oxford City Council

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive draft and final reports
Jackie Yates	Corporate Director (Finance and Efficiency)	Receive final report
Peter Sloman	Chief Executive	Receive final report

metable

Fieldwork start	9 th January 2012
Fieldwork completed	16 th January 2012
Clearance Meeting	w/c 30 th January 2012 (TBC)
Draft report to client	By 6 th February 2012 (TBC)
Response from client	By 13 th February 2012 (TBC)
Final report to client	By 20 th February 2012 (TBC)

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation

Appendix 2. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the commercial property subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the commercial property review is for the 2011/12 year. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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*Risk Assessment and
Internal Audit Plan
2012/2013*

Oxford City Council
March 2012

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Distribution List
Corporate Management Team
Heads of Service
Members of the Audit and Governance Committee

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with the Council.

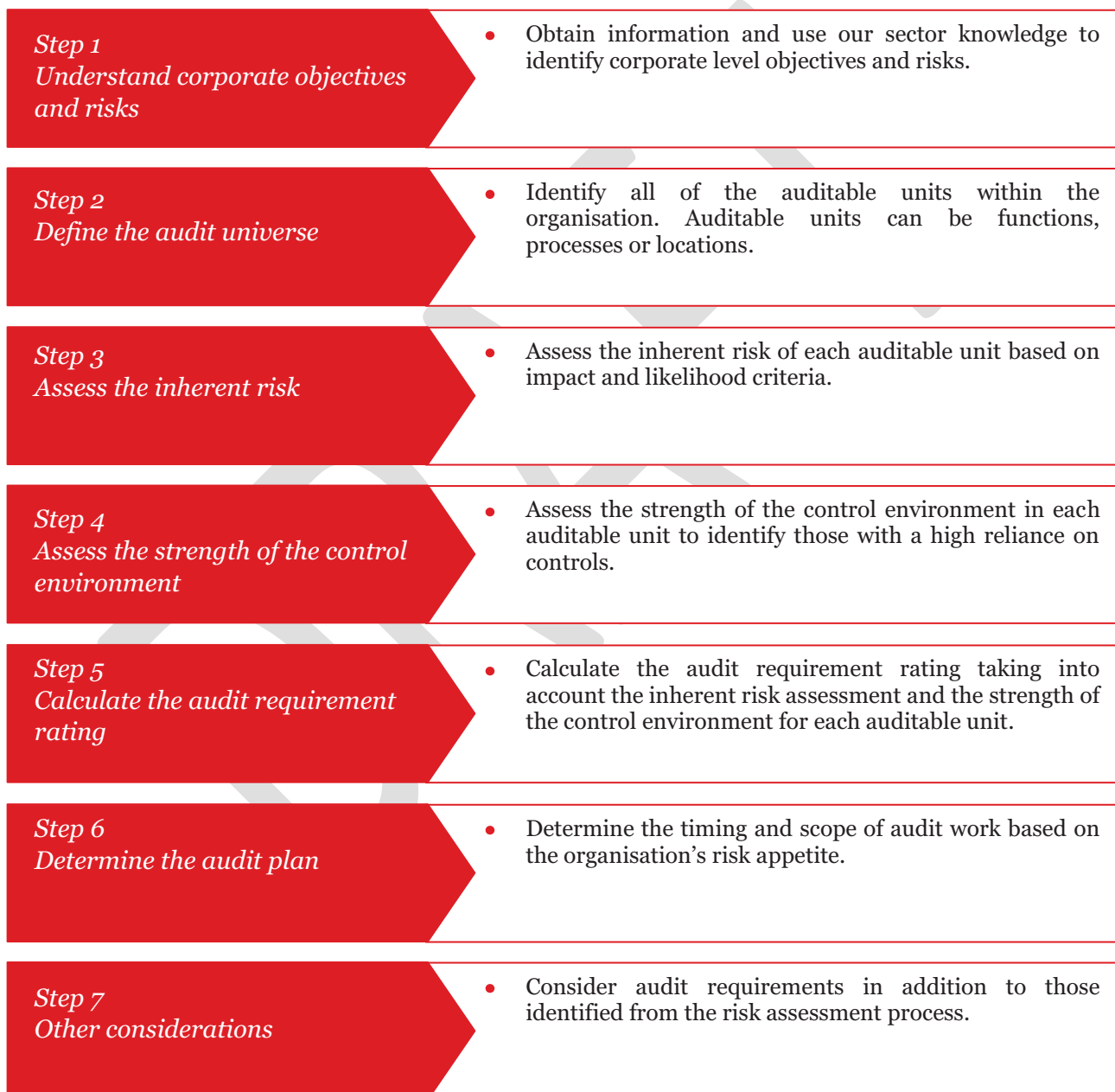
1. Introduction and approach

Introduction

This document sets out the risk assessment and our internal audit plan for Oxford City Council.

Approach

A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. A more detailed description can be found in Appendices 1 and 2.



Key contacts

Meetings have been held with Heads of Service and the Corporate Management Team as part of the planning process, and we have consulted the Chairman of the Audit and Governance Committee and the Audit Commission (the external auditors).

Defining the Audit Universe

We have identified the auditable units within the Council based on your structure and meetings with officers and members.

Any processes running across a number of different elements in the Council and which can be audited once have been separately identified under cross-cutting reviews in the audit universe, which is shown in full in Section 2.

Corporate level objectives and risks as defined in both the Corporate Plan and Risk Register respectively have been mapped to the auditable units. They are set out in Appendix 1.

Scope of our plan

We discuss the resources available for the internal audit service with officers, and a budget of 220 days is available. We agreed that this was sufficient for the work required to report on key risks and controls during the year and to prepare our annual audit opinion and report. We cannot address all risks identified by the risk assessment process. The Audit and Governance Committee needs to be satisfied that we address those risks about which it needs assurance, and let us know if it requires us to reassess priorities or carry out further work.

Basis of our annual internal audit conclusion

We comply with the CIPFA Code of Practice for Internal Audit in Local Government, which is not designed or intended to conform to the International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board. As a consequence our work is not designed to comply with the International Standards on Assurance Engagements.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported in our final individual internal audit reports.


2. Risk assessment

Risk assessment results







Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Corporate objectives and risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency
A	Cross cutting processes						
A.1	General Ledger	An efficient and effective Council	6	4	4	●	Every year
A.2	Debtors		6	4	3	●	Every year
A.3	Creditors		6	3	5	●	Every year
A.4	Payroll		5	4	3	●	Every two years
A.5	Budgetary Control		6	4	4	●	Every year
A.6	Collection Fund		6	4	4	●	Every year
A.7	Cashiers		5	4	3	●	Every two years
A.8	Treasury Management		5	4	3	●	Every two years
A.9	Housing Benefits		6	4	4	●	Every year
A.10	Fixed Assets		6	3	5	●	Every year
A.11	VAT		3	2	2	●	Every three years
A.12	Car Parking		6	4	4	●	Every year
A.13	Housing Rents		6	4	4	●	Every year

A.14	Governance		6	4	4	●	Every year
A.15	Risk Management		6	4	4	●	Every year
B	Department Level						
B.1	People and Equalities	An efficient and effective Council	5	3	4	●	Every year
B.2	Law and Governance	An efficient and effective Council	5	3	4	●	Every year
B.3	Corporate Assets	A vibrant and sustainable economy	6	3	5	●	Every year
B.4	Housing and Communities	Meeting housing needs	6	4	4	●	Every year
B.5	City Development	Stronger and active communities	3	2	2	●	Every three years
B.6	Policy, Culture and Communications	A vibrant and sustainable economy	3	2	2	●	Every three years
B.7	Direct Services	Cleaner greener Oxford	6	4	4	●	Every year
B.8	Environmental Development	Cleaner greener Oxford	3	2	2	●	Every three years
B.9	Leisure and Parks	Stronger and active communities	3	2	2	●	Every three years
B.10	Customer Services	An efficient and effective Council	6	3	5	●	Every year
B.11	Finance	An efficient and effective Council	6	4	4	●	Every year
B.12	Business Improvement	An efficient and effective Council	6	4	4	●	Every year

B.13	ICT Strategy	An efficient and effective Council	6	3	5		Every year
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Key to frequency of audit work

Audit Requirement Rating	Frequency – standard approach	PwC	Colour Code
6	Annual		
5	Annual		
4	Annual		
3	Every two years		
2	Every three years		
1	No further work		

The audit requirement rating drives the frequency of an internal audit. Our recommended planning approach involves scheduling an annual audit when the rating ranges from 6 to 4, an audit every two years when the rating is 3 and an audit every three years when the rating is 2.

The internal audit budget of 220 days does not allow us to carry out audits on all systems at the frequency which our methodology suggests, and we have flexed the frequency to meet the budget. The following systems/departments will be audited less frequently than our methodology suggests:

- Cashiers
- Treasury Management
- VAT
- Housing Rents
- City Development
- Policy, Culture and Communications
- Environmental Development; and
- Leisure and Parks

The Audit and Governance Committee should satisfy itself that this provides the assurance it requires.

3. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out the internal audit work planned for 2012/13 together with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	Indicative number of audit days				Comments
			Q1	Q2	Q3	Q4	
A	Cross Cutting Systems						
A.1	General ledger	5		X			<ul style="list-style-type: none"> • Key control account reconciliations • Input and output controls • System enhancements • System integrity
A.2	Creditors	5			X		<ul style="list-style-type: none"> • Order and invoice process • Payments process • Creditor system outputs
A.3	Budgetary Control and Efficiency Savings	5			X		<ul style="list-style-type: none"> • Budget setting • Budget monitoring • Management and monitoring of efficiency savings
A.4	Collection Fund	10		X			Council Tax and Business Rates processes To include: <ul style="list-style-type: none"> • Calculation of liabilities • Billing processes • Debt Collection and Recovery • Exceptions • System integrity
A.5	Housing Benefits	5			X		<ul style="list-style-type: none"> • Benefits processing • Payment of benefits • Quality checking • Move to universal benefit
A.6	Fixed Assets	5				X	<ul style="list-style-type: none"> • Asset Movement controls • Management of Capital Programme • Early substantive testing
A.7	Car Parking	5	X				<ul style="list-style-type: none"> • Cash Collection • Accounting for income • Excess charge notice processes
A.8	Governance	2				X	Internal audit to perform testing of risk based areas of the Annual Governance Statement
A.9	Risk Management and Performance	10			X		<ul style="list-style-type: none"> • Policies and Procedures • Reporting and Monitoring of risk

							<ul style="list-style-type: none"> • Risk Identification • Embedding Risk Management • Use of Performance Monitoring Software • Integrated reporting
A.10	Debtors	5				X	<ul style="list-style-type: none"> • Raising sales orders • Billing processes • Debt Collection and Recovery • Accounting for debtors
A.11	Payroll	5				X	<ul style="list-style-type: none"> • Starters and Leavers • Amendments to payroll • Processing payroll • Accounting for payroll
	TOTAL	62					
B	Department Level Reviews						
B.1	Finance – Fixed Asset Register Implementation	5				X	<ul style="list-style-type: none"> • Procurement of new system • Completeness of transferred information • Testing of accuracy of upload
B.2	Finance – Year end Support	5				X	Year end accounts support
B.3	Finance – Insurance	5				X	<ul style="list-style-type: none"> • Policies and procedures • Processing of claims • Performance monitoring and accounting for claims • Integration with risk management
B.4	Corporate Assets – Commercial Property Follow Up	5				X	<ul style="list-style-type: none"> • Reconciliation of properties • Billing • Recovery of income
B.5	Housing and Communities – Northgate Testing	5				X	<p>Performance of CAATs on data held within Northgate to identify potential duplicates in the following areas:</p> <ul style="list-style-type: none"> • Properties • People • Tenants
B.6	Housing and Communities – Direct Payments	7				X	<ul style="list-style-type: none"> • Application process • Processing of income and rents • Compliance checks
B.7	Business Improvement – Data Quality	8				X	<ul style="list-style-type: none"> • Review of compilation method for a sample of performance indicators • Testing of supporting data for indicators
B.8	Direct Services – Garden Waste	5				X	<ul style="list-style-type: none"> • Processing of applications • Raising and collection of income • Accounting for Garden Waste income
B.9	Law and	5				X	<ul style="list-style-type: none"> • Completeness of business continuity

	Governance – Business Continuity						<ul style="list-style-type: none"> plans • Robustness of plans and procedures • Communication • Testing of plans
B.10	ICT Strategy – Windows Licensing	13	X	X			<ul style="list-style-type: none"> • Contract rates of new licenses – Value for Money achieved • Due Diligence processes • Resourcing of project • Methodology of project implementation
B.11	ICT – Lagan Post Implementation and Benefits Realization	10		X			Post implementation review and assessment of benefits achieved from the implementation of the Lagan system.
B.12	People and Equalities – Health and Safety	5	X				<ul style="list-style-type: none"> • Health and Safety Policies • Processing of claims • Health and Safety Assessments • Communication
	TOTAL	78					
VE	Value Enhancement						
VE.1	Law and Governance – Member Development	10			X		<ul style="list-style-type: none"> • Member training arrangements • Training events • Skills audit
VE.2	Direct Services – Transport Services VfM and Trading Services	10	X				<p>Assistance with the value for money project on transport services to consider:</p> <ul style="list-style-type: none"> • Capacity of resource • Vehicle replacement programme and ownership profile • Benchmarking of costs • Insurance arrangements and value for money • Charging and trading arrangements
VE.3	Business Improvement – P2P Implementation	10	X	X			<p>Critical friend review of business plans and project implementation plans for this new system to ensure they are consistent with project management guidance and are fit for purpose.</p> <p>These days may be utilised for attendance at project boards.</p>
VE.4	Fraud Risk Assessment	5	X				Fraud risk assessment diagnostic to identify areas of risk and controls in place to prevent and detect fraud.
VE.5	People and Equalities – Policy Review	10				X	<p>Specialist review of policies and procedures. Areas for consideration include:</p> <ul style="list-style-type: none"> • Organisational Development • Workforce Planning

VE.6	Corporate Asset – Asset Management Strategy	5	X				Critical friend review of asset management strategy to ensure it rationalizes the Council's asset base and ensures value is secured from assets.
	TOTAL	50					
	Follow up	5	X	X	X	X	-
	Audit Management	25	X	X	X	X	-
	TOTAL	220					-
	2011/12 Roll Forward						-
RF.1	Repairs and Maintenance	4	X				<ul style="list-style-type: none"> • Review of organisational brief for structure of function • Testing of accuracy of a sample of repairs and maintenance data
RF.2	Project Management	5	X				<ul style="list-style-type: none"> • Critical friend support on designated project

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Appendix 1: Detailed methodology

Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your Corporate Plan and Strategic Risk Register;
- Drawn on our knowledge of Local Government and
- Met with a number senior management and members.

Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for Oxford City Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 - Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas of with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency or lower intensity of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 -Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Corporate objectives and risks

<i>Objective</i>	<i>Cross reference to Internal Audit Plan (see Section 3)</i>
A vibrant and sustainable economy	B.4 Corporate Assets – Commercial Property Follow Up VE.6 Corporate Asset – Asset Management Strategy
Meeting housing needs	B.5 Housing and Communities – Northgate Testing RF.1 Repairs and Maintenance
Strong and active communities	This objective is not directly addressed in year. All departments addressing this objective will be rotated in line with our risk based approach
Cleaner, greener Oxford	VE.2 Direct Services – Transport Services VfM B.8 Direct Services – Garden Waste
An efficient and effective Council	All of our cross cutting process reviews address this objective along with reviews in the following areas: <ul style="list-style-type: none"> • Finance • Business Improvement • Law and Governance • ICT Strategy

These corporate level objectives have been determined by you in your draft “Oxford City Council Corporate Plan 2011-2015”

We have reviewed your corporate risk register and linked all current rated as high to our audit plan as follows

<i>Risk</i>	<i>Cross reference to Internal Audit Plan (see Section 3)</i>
CRR-013: Changes in housing benefit and universal housing benefit	A.5 - Housing Benefits
CRR -014: That the self financing regime is difficult to administer and the 30 year cash flow is not favourable to the Council	This risk has been adequately addressed in prior years.
CRR0-017: The Council and other public sector bodies are cutting their services due to the CSR and this may have an impact on the services we provide.	A.3 Budgetary Control and Efficiency Savings

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In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Oxford City Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Agenda Item 7

To: Audit and Governance
City Executive Board

Date: 16th April 2012
23rd April 2012

Item No:

Report of: Head of Finance

Title of Report: Risk Management Strategy

Summary and Recommendations

Purpose of report: To present an updated Risk Management Strategy for consideration

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Council's corporate plan

Recommendation(s): That the Audit and Governance Committee consider the Risk Management Strategy and make recommendations as appropriate to City Executive Board

Appendix A Risk Management Strategy

Appendix B Terms of Reference for Risk Management Group

Summary

- 1 Paragraph 18.16 of the Finance Rules in the Councils' Constitution require the Head of Finance to:

'Periodically review and present for adoption the Risk Management Strategy'

- 2 The Risk Management Strategy was last reviewed in 2010 and it is now considered appropriate to review and update the strategy to ensure it remains fit for purpose. In particular to:
 - Confirm how risk is evaluated and scored
 - Take into account recent changes in management structures
 - Take into account changes in monitoring arrangements arising from the implementation of risk reporting on the Council's performance monitoring system CORVU

Summary of Changes in Risk Management Strategy

- 3 A summary of the main changes to the risk management strategy are set out in the table below:

Substantive Changes to Risk Management Strategy	
Section	Change
3.0	Remove requirement for full council approval and replace with City Executive Board
6.0	Removal of statement of internal controls and replace with Annual Governance Statement
9.2	Add in 'Principles of' for section on Prince 2
9.6	Corporate Risk Register to be reported and reviewed Corporate Management Team quarterly
9.6	Service Risk Register to be reported quarterly to Corporate Management Team not Performance Board. Also reference to CORVU for recording and monitoring of risk
12	Remove Audit Commission – replace with Industry review & guidance. Remove reported to performance board and replace with reporting in periodic review of strategy
19.0	Remove Risk Group reporting into Performance Board; add in responsible for supporting risk management practice in the Council
19.0	Benchmarking should be annually

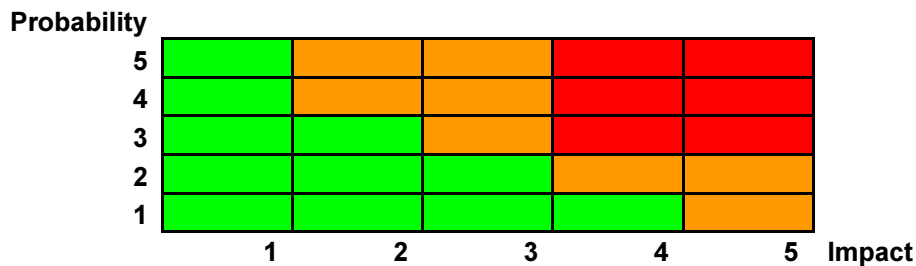
Reporting

- 3 Some of the more significant changes are around the reporting and monitoring of risks. Recent changes in the Corporate Management Team mean its membership now includes the Directors and all Heads of Service. Service Risk Registers are updated on a regular basis and high risks as previously can be escalated to the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the newly formed CMT before being submitted for review by Audit and Governance and City Executive Board
- 4 Audit & Governance are accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board.

Monitoring

- 5 Since the previous review of the strategy the Council has introduced an on-line performance management system, CORVU to facilitate the integrated monitoring of finance, performance and risk. The previous risk management monitoring system was 'spreadsheet' based and has been replaced with:
- An interactive on-line system available to all staff and Members which facilitates a self service approach to risk management
 - A system which allows an audit trail of changes
 - A system which streamlined the approach to risk management saving administration time

- A system which allows transparent monitoring of risk mitigating actions and progress against each action
- Reminder emails to risk owners to update risk areas
- The system continues with the use of the Red, Amber, Green (RAG) risk matrix as shown below with 'red' risks having the potential for escalation to The Corporate Risk Register



Risk Management Group

6 Whilst risk management should be seen to be part of the 'day job' there is still a need for a body of officers to periodically review the degree of embeddedness and also take proactive actions to ensure that Risk Management is at the forefront of service delivery. The Risk Management Group has met on a number of occasions recently and has revisited the Terms of Reference for the Group as shown in Appendix B together with the workplan for the coming year including

- Re-affirm the terms of reference for the risk management group
- Undertakes a periodic review of the Risk Management Strategy to inform reporting and approval of strategy by Corporate Management Team and City Executive Board
- Reviews the risk operating framework which supports the Risk Management Strategy
- Promotes formal Directorate discussions of Service Risk Registers, Project, Programme and Contract Risks (including sharing best practices and benefits)
- Ensure meaningful risk reporting to CMT and CEB now utilising Corvu
- Implement best working practice for management of risk within contracts and procurements.
- Ensure a consistent risk management approach for projects and programmes which is aligned to the operating framework.
- Fully utilise Risk Group members to embed risk management, champion best practice and operate as check and challenge
- Provide confirmation, of risk reporting cycle to A&GC
- Carry out 2012/13 benchmarking exercise of risk management practices

- Ensures the provision of appropriate risk management refresher training.
- Investigate the use of E-learning for risk management

Financial Implications

- 7 Good risk management practices will ensure that the Councils finances are monitored and protected..

Legal Implications

- 8 There are no legal implications relevant to this report.

Equalities Impact

- 9 There are no equalities implications relevant to this report

Climate change/environmental Impact

- 10 There are no climate change implications relevant to this report

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Service Area / Department: Finance

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List of background papers:

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Oxford City Council
Risk Management Strategy

February 2012
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Risk Management Strategy

Contents Page

1	Statement Strategy
2	Purpose of the Strategy
3	Strategy Review & Approval
4	Definition of Risk
5	Definition of Risk Management
6	The regulatory requirements for risk management
7	The benefits of risk management
8	Risk Management Objectives
9	Risk Management Approach
	9.1 Risk Management Cycle
	9.2 Risk Identification
	9.3 Evaluation & Prioritisation
	9.4 Risk Appetite
	9.5 Management of the Risk – Action Plans
	9.6 Monitoring
	9.7 Risk Reporting
10	Escalation and flow of Risks
11	Consistency & Challenge
12	Benchmarking of Risk Practices
13	Partnerships
14	Projects and programme management
15	Contracts Management
16	City Executive Board Reports
17	Training
18	Roles & Responsibilities
19	Definitions

Risk Management Strategy

This strategy defines the approach that Oxford City Council (OCC) takes towards the management of risk both within the organisation and across organisational boundaries.

1. Strategy Aim

To fully embed Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed in the most efficient manner, thereby strengthening the Council's ability to deliver its strategic priorities.

2. Purpose of the Strategy

The strategy aims to provide a clear and consistent approach to the management of risk across the organisation, between services and between corporate and service levels.

3 Strategy Review & Approval

The Risk Management Strategy will be reviewed periodically to take account of changing legislation, government initiatives, best practice and experience gained within the Council in adopting the Strategy. Any amendments will be recommended to the **Audit and Governance Committee (A&GC)** to take forward for approval by the **City Executive Board (CEB)**.

4. Definition of Risk

A risk is the chance that something will happen (positive or negative) which will impact on the organisations objectives.

5. Definition of Risk Management

Risk Management is a strategic tool that allows organisations to effectively manage potential opportunities and threats to achieving its objectives. It is an essential part of effective and efficient management and planning and strengthens the organisation's ability to achieve its objectives.

"Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standard of conduct and service delivery arrangements." (Audit Commission, Worth The Risk, 2001:7)

6. The regulatory requirements for risk management

A risk management strategy is considered as an essential part of good governance within any organisation and therefore should be an integral part of its processes and plan.

The current Accounts and Audit Regulations (England) establish requirements related to systems of internal control, and the review and reporting of those systems.

In June 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) published Delivering Good Governance in Local Government: Framework. This framework introduced the concept of an integrated Annual Governance Statement covering all significant corporate systems, processes and controls.

The AGS describes the systems and processes that make up the governance framework and how effective these are together with any areas of improvement. The statement draws on opinions and conclusions including internal audit, performance, management, risk management, external auditors and the Councils monitoring officer. Production of the AGS is a statutory requirement and must be approved by the Leader of the Council and the Chief Executive.

7. The benefits of Risk Management

Highlighted are those benefits of particular importance and focus for the Council.

- More satisfied citizens
- Increased focus on what needs to be done (and not done) to meet objectives
- Supports innovation
- Fewer complaints
- Controlled insurance costs
- Competitive advantage
- Better quality service
- Enhanced ability to justify actions taken
- Delivering best value
- Protection of reputation
- Better management of change programmes
- Getting things right first time

Good risk management can therefore lead to:

Better operational performance

- increased number of targets achieved
- stronger internal controls
- improved service delivery
- increased positive feedback from stakeholders
- improved planning through anticipation of risks

Improved financial performance

- increased percentage of objectives achieved
- reduced level of fraud
- improved income generation
- better budget management

Improved human resources management

- reduced staff turnover
- reduced days lost to sickness

Improved corporate governance and compliance systems

- reduction in legal challenges

Improved insurance management

- reduced cost of insurance premiums
- lower number and levels of claims
- reduced uninsured losses

8. Risk Management Objectives

Oxford City Council's objectives are to:

- Further embed effective risk management across the Council making it part of all decision making processes
- Continue to actively assess and manage risks and circumstances that could hamper the delivery of services, including early warning mechanisms
- Provide a framework and support so that risks do not become an inhibiting factor in decision making
- Continue to build the confidence to innovate through the use of good risk management practices
- Manage corporate and service area risk in accordance with best practice, as part of good corporate governance

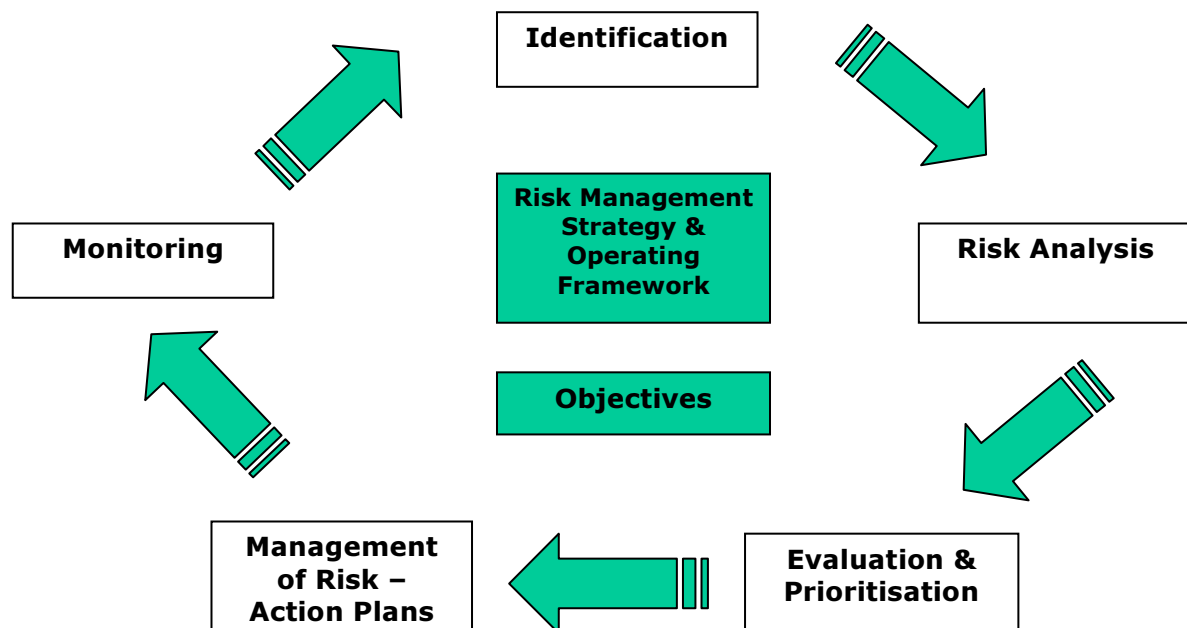
- Create effective processes that will allow the Council to make risk management assurance statements annually.

To achieve these objectives, we will continue to develop risk management processes and procedures by:

- Reviewing the Risk Management Strategy and Operating Framework on a periodic basis
- Establishing clear accountabilities, roles and reporting lines across all directorates
- Train staff across the Council providing them with the necessary awareness, skills and expertise
- Providing for risk assessment in all decision making processes of the Council
- Developing arrangements for the integrated reporting of risk
- Developing a control framework which provides assurance that risks identified are being managed
- Ensuring appropriate consideration of risk within the strategic planning process
- Ensuring that partners, providers and delivery agents are aware of the Council's expectations on risk management

9. Risk Management Approach

9.1 Risk Management Cycle



9.2 Risk Identification

Corporate Risks

The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis any new risks are incorporated into a revised version of the CRR. Risk owners for Corporate are generally held at Director level

Service Risks

Service Area risks are reviewed periodically by Heads of Service and Service Managers. High (red) risks should be raised on a quarterly basis and reviewed by Corporate Management Team for potential inclusion in the councils Corporate Risk Register..

Project and Programme Risk

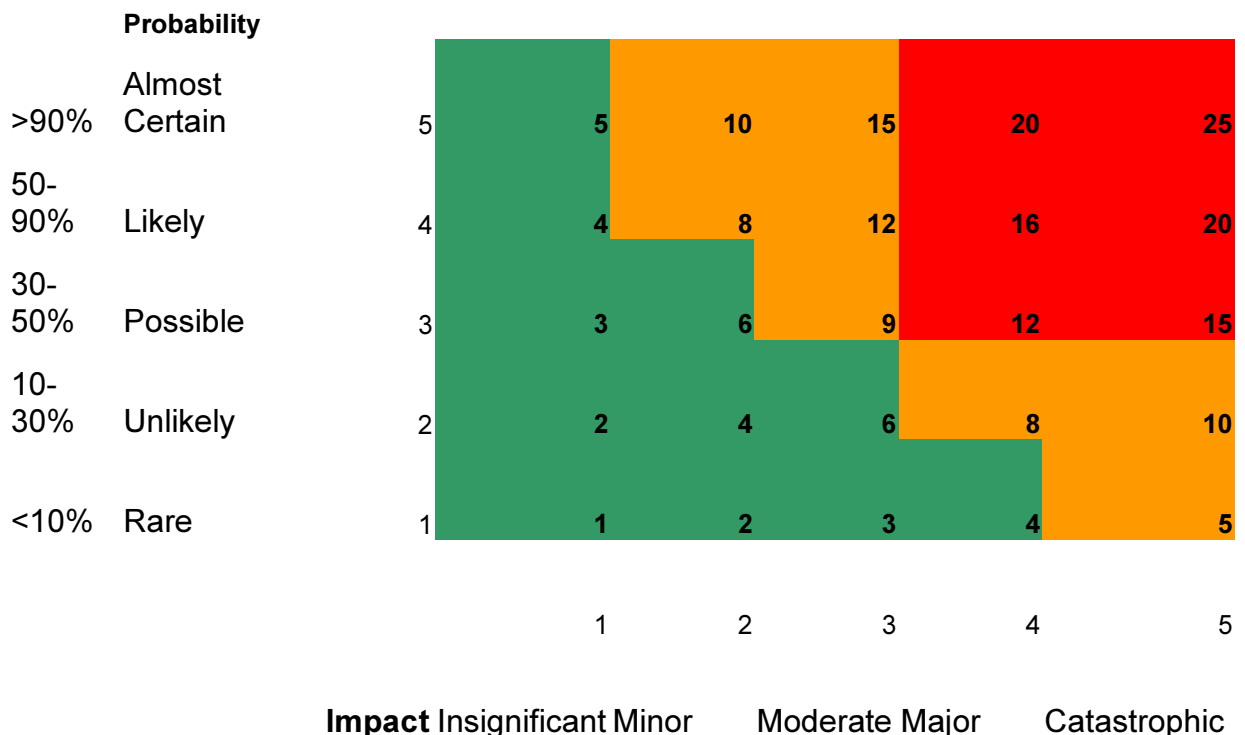
Oxford City Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/Project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on to the Project/Programme Risk Register (PRR).

9.3 Evaluation & Prioritisation

Risks are evaluated to consider the **probability** of the risk transpiring and the **impact** if the risk were to transpire.

Impact – What will happen if the risk occurs?

Probability – How likely is it that this risk will occur



Where the risk is prioritised on the matrix gives it a risk rating and this risk rating creates a priority for that risk. The rating is the Red, Amber, Green (RAG) status given in the risk matrix.

For each risk area a score will be calculated for the gross, current and residual risk in accordance with the following

- **Gross risk** – the risk without any controls in place
- **Current risk** – the risk with existing controls in place
- **Residual Risks** – the risk with existing controls and mitigating actions in place

9.4 Risk Appetite

Oxford City Council has focused on the Red, Amber, Green status of risks in determining the risk appetite of the organisation.

Red risks are considered unacceptable and every effort must be made to reduce the risk to the organisation.

In order to ensure that there is a consistent application of risk scores, the Risk Group, Director 1:1 meetings and Directorate Meetings challenge service area's risk registers. This ensures that the risk appetite agreed at a corporate level is reflected in the analysis of risks at the service area level.

The risk appetite is reviewed periodically or when there are significant changes to the organisation. Changes to the risk appetite level would require a change to strategy and would therefore require approval of the City Executive Board

9.5 Management of the Risk – Mitigating Action Plans

Risks can be managed in several ways. These can be grouped into the following categories:

- Accept
- Transfer
- Reduce
- Avoid
- Contingency

However, risks are generally managed by reducing the impact and/or probability. In developing a plan for managing the risk, consideration should be given to the benefit of the strategy adopted for managing the risks against the cost of managing the risk.

9.6 Monitoring

The Council makes use of CORVU, its performance management system to record information on all risks including the scoring and progress on mitigating actions against key milestones to be undertaken by clear risk owners.

The monitoring process tracks the progress of the action plans.

Risk management is not a one off exercise. Risks change over time. Monitoring is to consider if there is anything that has happened which alters or changes the risks, causes, risk scores or actions identified. It also ensures that action plans remain relevant, up-to-date and effective.

9.7 Risk Reporting

Risk reports are prepared on a regular basis to City Executive Board, Audit and Governance Committee and Corporate Management Team in accordance with the following :

	Board/Committee	Frequency
Corporate Risk Register (CRR) Report	Corporate Management Team and City Exec Board	Quarterly
Service Risk Register (SRR) Report	Corporate Management Team,	Quarterly
Confirmation of completed reporting and summary risk profile	Audit & Governance Committee	Quarterly
Program/Project Risks	Project or programme Board	Periodically

10. Escalation and flow of Risks

In line with the risk appetite all red risks are seen as unacceptable and must be reduced. Any red risk must be referred to the Risk Manager. In the cases of projects (including procurement projects) the Programme Manager must be made aware of all red risks.

Risks can flow between risk registers for instance a Corporate Risk may be transferred to a Service Risk once the risk can be managed by one area. The Risk Operating Framework sets out how risks flow between registers.

11. Consistency & Challenge

Corporate Management Team will focus their attention on corporate risks on a quarterly basis although this review will also incorporate service risks especially 'red' service risks which will be highlighted for potential inclusion in the Corporate Risk Register. CMT will challenge the scoring of the risks in terms of probability of occurrence and impact and ensure that there is consistency of approach and to risk appetite across the organisation.

Additionally each Directorate will consider the risks across the directorate as part of the Directorate meetings. Red risks will be reviewed and there will be challenge of the scoring and action plans.

Director's 1:1 meetings with service heads will review and challenge the Service Risk Register

The Risk Management Group will provide advice on risk management and periodically sample check service risk registers to ensure the degree of embeddedness within the service.

12 Benchmarking of Risk Practices

The risk practices of the Council are benchmarked against industry practice (established by considering other local authorities, industry reviews and guidance against the organisational context of the Council).

Recommendations are incorporated into the periodic review of the Strategy.

13. Partnerships

Partnerships are defined as significant non contractual relationships which impact on delivery of key organisational objectives and targets. Partnerships enter risks on to the Partnership Risk Log. These then inform the Service Risk Registers and Corporate Risk Register.

14. Projects and Programme Management

Project and Programmes include those projects run as part of a procurement process. Projects and programmes will use the same risk management templates and standards.

15. Contract Management

Significant contracts are managed in accordance with the Procurement Strategy and Contract Management Framework use the same risk management templates and standards and will form a key element of ongoing governance in this area.

16. City Executive Board Reports

Every City Executive Board (CEB) Report must contain a Risk Register in the prescribed format. The Risk Manager will periodically review papers being submitted to ensure consistency of approach and provide further guidance where required. The risk register must contain risks related to the decision(s) the Board are being asked to make (as opposed to the wider matter, such as project risks, procurement risks and so on).

After CEB risks from the CEB report must either be closed or transferred on to another risk register (project, contract, SRR or CRR) in line with the Operating Framework for escalation and flow of risks and/or closure of risks.

17. Training

Oxford City Council regards a tiered approach to training as being critical to the success of its risk management strategy. This approach means that appropriate staff and members are identified for training and that those individuals receive training that is appropriate to the type of responsibilities that they hold.

The extent of the training provided is reported to the Audit & Governance Committee periodically.

18. Roles & Responsibilities

ROLE	RESPONSIBILITIES
The City Executive Board	<ul style="list-style-type: none"> • Accountable for the adoption of the Council's Risk Management Strategy • Responsible for understanding the risk profile of Oxford City Council • Accountable for ensuring that a corporate risk register is established, including details of the actions taken to mitigate against the risks identified, and that this is regularly monitored • Oversee effective risk management across the Council and receive quarterly reports in relation to Corporate Risks
Audit and Governance Committee	<ul style="list-style-type: none"> • Consulted on the periodic review of the Risk Management Strategy • Accountable for ensuring that risk management and risk management training is delivered on behalf of the City Executive Board by the Chief Executive and Executive Directors • Receive quarterly reports in relation to Corporate Risks and make appropriate recommendations to City Executive Board
CMT	<ul style="list-style-type: none"> • Accountable for the review and adoption of the Risk

ROLE	RESPONSIBILITIES
	<p>Management Operating Framework</p> <ul style="list-style-type: none"> • Ensure that emerging internal and external risks are raised and discussed • Review of the quarterly risk reports prior to their submission to Audit and Governance and City Executive Board
Head of Finance	<ul style="list-style-type: none"> • Support all staff including the Directors Group in delivering risk management activity • Accountable for timely reporting to CEB and CMT • Chairs Risk Group • Responsible for delivery of training
Risk Group	<ul style="list-style-type: none"> • Provides guidance and supports the organisation in ensuring risk management is embedded in the organisation • Promotes good risk management practices within the organisation • Supports reviews of service and corporate risk registers

19. Definitions

CRR – Corporate Risk Register

SRR – Service Risk Register

CEB – City Executive Board Reports/Registers

Benchmarking – Exercise carried out on an annual basis to benchmark OCC against best practice and key external audit requirements.

Risk group – Responsible for supporting risk management practice in the Council

Partnerships - significant non contractual relationships. Significant meaning those which impact on delivery of key organisational objectives and targets.

Corporate Management Team (CMT) – Directors & Service Heads meeting

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APPENDIX B

Risk Group Terms of Reference

Risk Group	<p>This group meets at least bi-annually or more frequently as needed. It is chaired by the Head of Finance. The group:</p> <ul style="list-style-type: none">• Supports the organisation in ensuring that the Risk Management Strategy and Operating Framework approach is embedded in the work of all Boards, groups and projects as well as in the management of partnerships and contracts;• Undertakes benchmarking of the risk management function• Promoting awareness, improved understanding and a robust approach to risk identification and management;• Seeks opportunities for shared learning with other organizations;• Members act as champions for risk management and motivating employees to manage risk effectively;• Support the regular review of service risk registers by challenging the risks and the action plans. Supporting Service Heads in ensuring that risks are correctly identified, analysed, evaluated and prioritised and that appropriate plans are in place and that these are monitored and reviewed for effectiveness and progression;
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To: Audit and Governance Committee

Date: 16th April 2012

Item No:

Title of Report:

Annual Review of the Avoiding Bribery, Fraud and Corruption Policy, the Money Laundering Policy and Procedure and the Whistle blowing Policy.

Summary and Recommendations

Purpose of report:

To acknowledge the annual review of the policies and endorse any changes within the policies.

Key Decision: No

Board member: Councillor Bob Price

Scrutiny Responsibility: Value & Performance

Ward(s) affected: None

Policy Framework: None

Recommendation(s): Members are asked to note the annual review of the Avoiding Bribery Fraud and Corruption Policy, the Money Laundering Policy and the Whistle blowing Policy.

1. Introduction

1.1 The Audit and Governance Committee endorsed the Council's Avoiding Bribery, Fraud and Corruption Policy on 30th June 2011. The policy was updated at that time ensuring the Council had adequate bribery prevention procedures in place in light of the Bribery Act which came into force on 1st July 2011.

1.2 The revised Money Laundering Policy and Procedures was endorsed by Audit and Governance Committee on 30th June 2009. The Policy incorporates reporting procedures for all members of staff to follow. Whilst the risk of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities.

1.3 The Council's Whistle Blowing Policy (Part 25 of the Constitution) encourages officers to blow the whistle within the Council and protects the whistle blower from reprisals. The Policy was reviewed by Law and Governance in May 2011, the Standards Committee made no amendments to the Policy at the Committee meeting held on 9th September 2011.

2. Policy Review

2.1 All policies have been reviewed.

2.2 There has been a minor change to section 10 of the Avoiding Bribery, Fraud and Corruption Policy. Reference is made to housing fraud and the tenancyfraudline@oxford.gov.uk email address.

2.3 There have been no changes made to the Money Laundering Policy, Procedures and Reporting Form

2.4 There have been no changes made to the Whistle blowing Policy. Under this procedure, the Chief Finance Officer is required to report the number of whistle blowing complaints (if any) to the Audit & Governance Committee. Arrangements are now in place to record the data centrally on iTrent, the Council's Employee and Payroll System. Only the actual whistle blowing complaint is recorded where;

- the officer making the complaint states they are using the whistle blowing procedure
- they put the concern in writing

3. Fighting Fraud

3.1 The 3 policies are now grouped on the intranet and can be found at;

<http://occweb/intranet/finance.cfm>

The Finance site now shows the following;

Fighting Fraud

These policies give assurance that the Council supports a zero tolerance attitude in regard to bribery fraud and corruption and an assurance to protect the public funds it administers. There are policies in place to report, investigate and resolve any 'discrepancies'. The policies also give assurance that the Authority is compliant to the law.

The [Avoiding Bribery Fraud and Corruption Policy](#) is a clear statement of intent to eliminate all forms of bribery fraud and corruption and the responsibility to investigate and report all alleged irregularities.

The Council's [Whistle Blowing Policy \(Part 25 of the Constitution\)](#) encourages officers to blow the whistle within the Council and protects the whistle blower from reprisals.

The [Money Laundering Policy, Procedure](#) and [Reporting Form](#) is the internal process required by law to prevent the Council's services, employees and elected members from being used to launder money. There is a responsibility to report any concerns regarding money laundering or any attempt to launder money.

Recommendations

Members are asked to note the review of the attached Policies.

Appendix 1 - Avoiding Bribery Fraud and Corruption Policy

Appendix 2 - The Money Laundering Policy

Appendix 3 - The Money Laundering Procedure

Appendix 4 - The Money Laundering Reporting Form

Appendix 5 - The Whistle blowing Policy

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OXFORD CITY COUNCIL

AVOIDING BRIBERY, FRAUD AND CORRUPTION POLICY

1. INTRODUCTION

- 1.1 Fraud is one of the fastest growing areas of crime in modern society and the residents and stakeholders of Oxford City have a right to expect that their public funds are secure and handled honestly. They also have a right to expect that their elected Members and Council employees are honest and that their integrity is above reproach. Any dishonest act reflects badly on both the Authority and the wider public sector.
- 1.2 The Council is committed to eliminating all forms of bribery, fraud, corruption and to protecting public funds. Minimising losses to fraud and having adequate bribery prevention procedures in place; meeting the six general principles of the Bribery Act 2010 is an essential part of ensuring that all of the Council's resources are used for the purpose for which they are intended.
- 1.3 This document is intended to provide a clear statement of intent and responsibilities for;
- (a) Preventing bribery, fraud and corruption and
 - (b) The investigation, reporting and handling of alleged irregularities.

2. CULTURE

- 2.1 Under the Bribery Act 2010 a bribe is “a financial or other advantage” in connection with the improper performance of a “relevant function or activity”. The legislation broadly covers two general offences:
- (i) **Bribing another** person, i.e. the offering, promising or giving of a financial or other advantage to someone:
 - (a) to induce them to perform a relevant function improperly or to reward them for performing the function improperly;
 - (b) where the briber knows or believes that the acceptance of the bribe would itself constitute improper performance of a relevant function or activity.
 - (ii) **Being bribed** i.e. the requesting, agreeing to receive or accepting of an advantage:
 - with the intention that a relevant function be performed improperly or as reward for the improper performance; or
 - performing a relevant function improperly in anticipation of requesting, agreeing to receive or accepting a financial or other advantage; or
 - where that in itself constitutes the improper performance of a relevant function or activity.

NB it does not matter whether the request is made directly or through a third party or whether the advantage is for the benefit of the person performing the function or for the benefit of another person. Those employees or members involved in planning, licensing and procurement should be especially aware of the possibility they may be targeted for attempted bribery.

Functions and activities apply broadly to include:

- any activity of a public nature;
- any activity connected with a business;
- any activity performed in the course of a person's employment; and
- any activity performed by or on behalf of a body of person (whether corporate or incorporate). See paragraph 6.6 below for further information.

- 2.2 The Fraud Act 2006 provides a statutory definition of fraud as the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position.
- 2.3 The definition of money laundering under the legislation that covers money laundering is "possessing, concealing, disguising or in any way dealing with the proceeds of any crime by any known or unknown person".
- 2.4 In order for the Council to be effective in its approach to dealing with the problem of bribery, fraud and corruption it will promote a culture of zero tolerance rather than indifference to such matters.
- 2.5 It is expected and required that all individuals and organisations associated in whatever way with the Council will act with integrity and that both Council Members and employees, at all levels, will lead by example.
- 2.6 The Council's employees are an important element in its stance against bribery, fraud and corruption and they are encouraged and expected to raise any concerns that they may have. They can do this in the knowledge that such concerns will be investigated and fairly dealt with.
- 2.7 The Council will maintain effective channels of communication so that any person or organisation concerned about a suspected bribe, fraudulent or corrupt act can bring it to the Council's attention as set out in the Whistle blowing Policy for employees and other persons. This is contained within the Council's Constitution and is one of the Council's Employment Policies.

3. DETERRANCE

- 3.1 There are a number of ways in which we seek to deter a bribe or a potential fraudsters from committing or attempting a fraudulent or corrupt act, whether they are inside or outside of the Council, and these include:-
- Publicising the fact the Council is firmly set against bribery, fraud and corruption and stating this at every appropriate opportunity, e.g. statements in contracts, anti-bribery terms and conditions in procurement with contractors/partners, at induction events, on claim forms, on the Council's web site and in publicity literature.
 - Acting robustly and decisively when bribery, fraud and/or corruption is suspected and proven, e.g. the termination of contracts, the dismissal and/or prosecution of offenders and accompanying publicity
 - Taking action to maximise recoveries for the Council, e.g. through agreement, court action, penalties, insurance, etc.
 - Where appropriate, using the Proceeds of Crime Act to maximise the penalty incurred by the fraudster, and the level of recovery by the Council.
 - Having sound internal control systems, that minimise the opportunity for bribes, fraud and corruption.

- 3.2 It is the responsibility of Executive Directors and Heads of Service to communicate the Avoiding Bribery, Fraud and Corruption Policy to their staff and to promote, within each service, awareness of the Council's commitment to eliminating all forms of bribery, fraud and corruption.

4. RAISING AWARENESS

- 4.1 The Council recognises that the success and credibility of this Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. Every opportunity will be taken to bring it to the attention of staff, members and other stakeholders. The Policy will also be shown on the Council's web page and be available on the Intranet.
- 4.2 The Council's Investigation Team will provide training to raise the levels of awareness of bribery, fraud and corruption amongst employees, Council Members and stakeholders.
- 4.3 The Officers involved in investigative work will be properly and regularly trained.
- 4.4 The Council's Investigation team will also publicise details of its Court cases in the local media to promote fraud awareness in the local community and to assist public confidence that public resources are being protected by the Council.

5.0. PREVENTION

- 5.1 The Council is dedicated to preventing bribery, fraud and corruption as the first line of defence. It recognises that bribery, fraud and corruption are costly, both in terms of reputational risk and financial loss. The prevention of bribery and fraud is therefore a key objective and roles and responsibilities are outlined below.

6.0. EMPLOYEES

- 6.1 The integrity of individual employees is crucial to successful bribery and fraud prevention and managers have responsibility for taking effective steps during recruitment, selection and subsequently induction to deter bribery, fraud and corruption.
- 6.2 Staff recruitment is required to be carried out in accordance with procedures prescribed by the Head of People & Equalities with regard to the evidence required to establish the:
- Identity of employees in accordance with section 8 of the Immigration, Asylum and Nationality Act 2006;
 - Integrity of potential employees; this will include, in some instances, checks with the Criminal Record Bureau;
 - Completeness and accuracy of previous employment as declared;
 - Verification of references offered;
 - Existence of qualifications which are to be relied on for the purposes of making an offer of employment.

- 6.3 Employees of the Council are expected to follow and abide by the Council's Code of Conduct for Employees. Employees should also follow any Code of Conduct required by their professional institute or trades body.
- 6.4 The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the Police for investigation and possible prosecution, (unless the Council can, itself, prosecute the offence).
- 6.5 The Council has a Money Laundering policy in place. Whilst the Council is not directly required to implement the requirements of the Money Laundering Regulations 2003, the Council, its Officers and elected Members are subject to the provisions within the legislation. The policy:-
- Appoints the Head of Finance as Oxford City Council's Money Laundering Reporting Officer (MLRO) being the person nominated to receive disclosures under the Money Laundering legislation.
 - Requires any officer or elected Member that suspects that an activity may possibly be linked to either money laundering or the proceeds of crime, to refer their suspicion to the MLRO for consideration.
 - Requires the MLRO to report the suspicion to the Serious and Organised Crime Agency (SOCA). Failure to report a suspicion may be a criminal offence.
 - Requires that after a report is made to the MLRO that any transaction in progress must not proceed further without the consent, in writing, of the MLRO (proceeding with a suspicious transaction without such consent may be a criminal offence).
 - Requires that the subject of suspected Money Laundering activities is not made aware of the existence of such a suspicion (such 'tipping off' may be a criminal offence).
- 6.6 The Council has appropriate procedures to tackle Bribery under this policy. From 1 July 2011, under the Bribery Act 2010, bribing another person and being bribed are both criminal offences, by reference to "a financial or other advantage in connection with the improper performance of a "relevant function or activity". These apply where the person performing the function is expected either to perform it in good faith, to perform it impartially, or the person is in a position of trust by virtue of performing it. Bribery is punishable by a fine or imprisonment. The Council is required to take adequate procedures to prevent bribery.
- The Act creates a new criminal corporate offence of failing to prevent bribery by a person associated with the Council, including employees, consultants, agents, partners or spouses, or subsidiaries.
 - A relevant commercial organisation such as the Council will be guilty of a criminal offence if a person associated with the organisation bribes another person, intending to obtain or retain business or a business advantage for the Council.
 - A person is "associated" with the Council if they are a person who performs services for or on behalf of the Council. The capacity in which an "associated" person performs services for or on behalf of Council does not matter. If the associated person is an employee, it will be presumed (unless

the contrary is shown) that they are a person who performs services for or on behalf of the Council.

In order to defend such a charge, the Council will need to demonstrate it has adequate anti-bribery procedures in place. The Council will have due regard to the Guiding Principles contained in the Ministry of Justice Guidance, which include proportionality, a senior management commitment to bribery prevention, risks assessments (Audit & Governance committee), due diligence, communication and monitoring and review.

- 6.7 The Council's Finance Rules, which are also included in the Constitution, place responsibility for fraud prevention on all employees. Staff should therefore be alert to the possibility of fraud and to report any concerns.
- 6.8 Any individual who suspects that a benefit related fraud is being or has been committed against the Council can report this, in confidence, to the Investigation Team.
- 6.9 If an elected Member or member of the public suspects any other type of fraud or bribery is being or has been committed then the matter can be reported to the Chief Executive, an Executive Director, the Head of Finance, the Monitoring Officer or where appropriate to the Council's Internal Auditors.
- 6.10 If an Officer suspects that fraud or an offence under the Bribery Act is being or has been committed then the matter should usually be reported in the first instance, to their line manager. However, if it is thought that the line manager might be involved or there is some other conflict of interest, the matter should be reported to a more senior officer or alternatively directly to the Head of Finance or where appropriate to the Council's Internal Auditors.
- 6.11 The Officer that receives the initial report should ensure that the report is taken seriously and dealt with confidentially. They must also ensure that the matter is reported immediately to the Head of Finance.
- 6.12 To reduce any risk of the investigation being jeopardised it is important that all information remains confidential. Suspicions are not to be discussed with any person other than the Officer that the report has been made to or an investigating officer appointed by the Head of Finance.
- 6.13 The Head of Finance will report all investigations of suspected fraud and their outcomes to the Chief Executive, Internal Auditor and to the Audit and Governance Committee. The outcomes of Benefit Fraud investigations will be reported to the Committee annually.
- 6.14 Employees are reminded that they must operate within the requirements of s117 of the Local Government Act, 1972 regarding the disclosure of pecuniary interests in contracts which the Council has or plans to enter into, and the non-acceptance of any fees or rewards whatsoever other than their proper pay. These requirements are set out in the Council's Code of Conduct for Employees.

7.0. MEMBERS

- 7.1 Members are required to operate within the National Code of Conduct for Members. The Code provides for the public registration and declaration by Members of private interests.

8.0. AUDIT AND GOVERNANCE COMMITTEE.

- 8.1 Council has appointed an Audit and Governance Committee. The terms of reference of the committee are set out fully in the Constitution but include responsibilities for seeking and receiving assurance in terms of the existence and operation of anti bribery, anti-fraud and anti-corruption policies and procedures.

9.0. INTERNAL CONTROL SYSTEMS

- 9.1 The primary responsibility for maintaining sound arrangements for the prevention and detection of bribery, fraud and corruption rests with the Council's Chief Executive and Executive Directors. The principal mechanism for achieving this objective is to operate a sound and effective system of internal control. This includes having procedures in place, which ensure that suspected bribery, fraud and corruption is promptly, thoroughly and effectively investigated.
- 9.2 There are also specific legal requirements under Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 1996, which requires the Council to appoint a responsible officer to make arrangements for the proper administration of the Authority's financial affairs. The responsible officer is required to determine and maintain an effective accounting system, which includes measures to prevent and detect fraud.
- 9.3 Under the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 the Council is also required to maintain an adequate and effective internal audit of the authority's accounting records and control systems. This responsibility is delegated to the Head of Finance.
- 9.4 The Council's Internal Audit act as a key stakeholder in the implementation of an effective control environment and fraud investigations and will, when appropriate, be informed of instances of bribery, fraud and corruption.

10.0. WORKING WITH OTHERS

- 10.1 Arrangements are in place and will continue to be developed, to facilitate and carry out the exchange of information between the Council, other authorities and agencies on national and local bribery, fraud and corruption activity in relation to local authorities.
- 10.2 All such exchanges of information will be carried out in accordance with Data Protection and other relevant legislation and Codes of Practice.
- 10.3 The Council has a Fraud Hotline, to allow members of the public to report individuals who are suspected of committing fraud. Suspected benefit frauds and housing tenancy frauds can also be reported on the Council's CONFIDENTIAL 24 hour fraud line number 01865 252222. Reports can be made using the Councils fraudline email address' benefitfraudline@oxford.gov.uk and tenancyfraud@:oxford.gov.uk. These details can be found on the Council's website. The website also has 'report it' forms to report suspected benefit fraud and housing fraud.

11.0. DETECTION AND INVESTIGATION

- 11.1 The preventative assurance provided by an effective system of internal control can do much to deter and prevent fraud. However, it is often the alertness of employees and the public to indications of fraud or corruption, which can identify and bring matters to the Council's attention. To ensure that the Council can maximise the use of this vital resource it is committed to:
- Consistent and fair treatment of information received;
 - Proper investigation by an experienced and trained investigator
 - Effective channels of communication to receive information, including a 'whistle blowing' policy, a money laundering policy and procedure for staff, elected Members and the public to voice concerns, which in its operation recognises the protection afforded to employees under the Public Interest Disclosure Act, 1998.
- 11.2 Every Head of Service who receives allegations must ensure that:-
- they deal promptly with the matter
 - they record, preserve and secure all evidence received
 - they notify the Head of Finance, who will arrange for the allegation to be investigated and, where appropriate will notify the Council's insurers
 - they implement the Council's disciplinary procedures where appropriate
- 11.3 There is a need to ensure that procedures for raising issues of concern are not misused and, therefore, any misuse such as raising unfounded malicious allegations may itself be dealt with as a disciplinary matter.
- 11.4 It is of the utmost importance that until the Head of Finance initiates an investigation no other Officer should investigate the matter, interview staff or attempt to gather evidence, as this may jeopardise any proper investigation.
- 11.5 During the course of the investigation, the following actions will be taken:-
- A fraud log will be completed detailing every action taken during the investigation, this will include the dates and times that each action undertaken was carried out.
 - As much documentary evidence as possible will be gathered before any interviews are conducted.
 - All evidence must be obtained lawfully, properly recorded and retained securely in accordance with the Police and Criminal Evidence Act 1984 and the Criminal Procedure and Investigations Act 1996.
 - There should be no attempt to access or retrieve any data, which is stored electronically on Council computer equipment that may be required as evidence. Only suitably skilled officers should retrieve this data in such a way as to ensure there is no interference with the original data. This is crucially important if the data retrieved is to be admissible in court.
 - Fact finding interviews will be conducted during the course of the investigation. If at any time during these interviews it becomes clear that a criminal offence has occurred, the fact finding interview must be suspended. The interviewee will be formally cautioned and an interview under caution must be completed that complies with the Police and Criminal Evidence Act 1984. Before an interview is conducted consideration will be given to all factors that may affect the interview such as a defendant's age, intelligence or level of understanding.

- From the evidence gathered during the full investigation, the Head of Finance, the Executive Directors or the Chief Executive in consultation with Head of Law & Governance will determine if further police involvement is required.
 - Management recommendations may be made as a consequence of an investigation to improve systems and controls to prevent and deter further fraud in the future.
- 11.6 In cases where the investigation establishes that a fraud has been perpetrated the recovery of assets will be initiated wherever possible. The recovery of assets should only be initiated after consultation with Law & Governance and Finance Services if required.
- 11.7 In consultation with People & Equalities, the Council's disciplinary procedures will be applied where the outcome of an investigation indicates that an officer has behaved improperly. This may be in addition to any other recovery action, prosecution or sanctions.
- 11.8 In consultation with the Monitoring Officer, a complaint may be made to the Standards Committee where the outcome of an investigation indicates an elected Member has behaved improperly. This may be in addition to any other recovery action, prosecution or sanctions.
- 11.9 A prosecution or referral to the Police will not prohibit action against Officers under the disciplinary procedure or the reporting of elected Members to the Standards Committee. In cases where fraud has been proven and when appropriate, the Council will seek to prosecute to the full extent of the law and recover losses from all those involved.

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Money Laundering Policy

1. Introduction

Money Laundering is generally understood to mean the conversion of the proceeds of crime in order to create the end appearance of legitimately earned funds.

Legislation concerning money laundering impacts on certain areas of local authority business and requires councils to establish internal procedures to prevent the use of their services for money laundering.

Any officer or elected member could potentially be caught by money laundering provisions, if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

While the risk to the council of contravening the legislation is low, it is important that all officers and elected members are familiar with their responsibilities. Serious criminal sanctions may be imposed for breaches of the legislation. Training is incorporated into the council's training programme. Directors and service area managers must ensure that all employees are aware of the council's policy and procedures on this subject.

2. Legislation and the regulatory framework

The Proceeds of Crime Act 2002 (as amended) (the Act) and the Money Laundering Regulations 2007 have broadened the definition of money laundering. The main money laundering offences are:-

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Act)
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of the Act) and
- acquiring, using or possessing criminal property (section 329 of the Act).

By virtue of section 18 of the Terrorist Act 2000 (as amended) money laundering also occurs when there is involvement in an arrangement which facilitates the concealment, removal from jurisdiction, transfer to nominees or any other retention or control of terrorist property.

The legislative requirements covering anti-money laundering procedures are lengthy and complex.

3. How does the legislation affect our work?

Not all of the council's business is "relevant" for the purposes of the regulations. The safest way to ensure compliance with the law (both Act and Regulations) is for it to be applied to all areas of work undertaken by the council, therefore all officers and elected members are required to comply with the procedures set out below.

The council must:-

- appoint a nominated officer, usually referred to as the money laundering reporting officer (MLRO), who shall receive disclosures from employees or elected members of money laundering activity (their own or anyone else's) and make reports if necessary to the serious organised crimes agency (SOCA)
- implement a procedure to enable the reporting of suspicions of money laundering
- maintain client identification procedures in certain circumstances
- maintain record keeping procedures and
- train staff

The council's anti money laundering procedures have been formulated in a way which is proportionate to the very low risk to the council of contravening the legislation.

4. The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity within the council is the finance service area manager.

Procedures to ensure compliance with money laundering legislation

1. Reporting to the MLRO

If you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act, you must disclose this as soon as practicable to the Money Laundering Reporting Officer (MLRO). The disclosure should be within “hours” of the information coming to your attention. **Should you not do so, you may be liable to prosecution.**

You must make your disclosure to the MLRO using the Report to Money Laundering Reporting Officer Form. A template for this is available at <http://occweb/intranet/index-corporate.cfm>. The report must include as much detail as possible, for example:-

- full details of the people involved (including your details, if relevant)
- full details of the nature of your involvement
- the types of money laundering activity involved noting, in particular, the following:-
 - if possible, the section number(s) under which the report is being made should be cited e.g. a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both
- the dates of such activities, including:-
 - whether the transactions have happened, are ongoing or are imminent
 - where they took place
 - how they were undertaken
 - the (likely) amount of money/assets involved
- why, exactly, you are suspicious – the Serious Organised Crime Agency (SOCA) will require full reasons
- any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him/her to prepare his report to the SOCA, where appropriate.

Copies of relevant supporting documents should be enclosed.

If you are concerned that your involvement in the transaction would amount to a money laundering offence then your report must include all relevant details, as you will need consent from SOCA, via the MLRO, to take any further part in the transaction – this is the case even if you are instructed to proceed before consent is given.

You must make it clear in the report if consent is required and clarify whether there are any deadlines for giving consent e.g. a completion date or court deadline.

If you think that the council is about to enter into dealings that could amount to money laundering you must put that dealing on hold until the MLRO says that it can proceed. If dealings have to be put on hold this must be mentioned in the report to the MLRO.

Once you have reported the matter to the MLRO you must follow any directions given to you by the MLRO. You must not make any further enquiries into the matter yourself (any necessary investigation will be undertaken by the SOCA). You must simply report your suspicions to the MLRO who will refer the matter on to the SOCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

Similarly, at no time and under no circumstances should you, in making a report to the MLRO, voice any suspicions to the person(s) whom you suspect of money laundering, even if the SOCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO. **If you do you may commit the criminal offence of “tipping off”.**

You must not, make any reference on a file to a report having been made to the MLRO – should another officer ask to see the file, then such a note will obviously tip them off to the report having been made and may render them liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

2. Consideration of the disclosure by the MLRO

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his/her section of the report and acknowledge receipt of it. The MLRO should also advise the member of staff who has made the report of the timescale within which the MLRO expects to respond.

The MLRO will consider the report and any other available internal information he/she thinks relevant e.g.:-

- other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

and undertake such other reasonable enquiries he/she thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the SOCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with the member of staff who had made the report.

Once the MLRO has evaluated the disclosure report and any other relevant information, he/she must make a timely determination as to whether: -

- there is actual or suspended money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether he/she needs to seek consent from the SOCA for a particular transaction to proceed.

Where the MLRO does so conclude, then he/she must disclose the matter as soon as practicable to the SOCA on their standard on-line report form and in the prescribed manner, unless he/she has a reasonable excuse for non-disclosure to the SOCA (for example, if the member of staff who has made the report is a lawyer and he/she wishes to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he/she must note the report accordingly. He/she can then immediately give his/her consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the council's legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the SOCA.

Where consent is required from the SOCA for a transaction to proceed, then the transaction in question must not be undertaken or completed until the SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the SOCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he/she shall mark the report accordingly and give his/her consent for any ongoing or imminent transaction to proceed.

All disclosure reports referred to the MLRO and reports made by him/her to the SOCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if he/she knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him/her, that another person is engaged in money laundering and he/she does not disclose this as soon as practicable to the SOCA.

3. Client identification procedures

Where the Council is carrying out certain business, for example management of any asset holdings, then extra care needs to be taken to check the identity of the customer or client. Client identification procedures are required in the following circumstances:

- management of any asset holdings;
- an on-going business relationship is formed e.g. a lease or contract;
- sale of any property/land;
- one-off transactions involving payment by or refunded to the client of £5,000 or more;
- a series of linked one-off transactions involving total payment by or refunded to the client of £5,000 or more.

Steps to be taken:

- identifying the customer (names and addresses etc.) and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source e.g. checking with the customer's website to confirm their business address;
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any of the directors;
- seeking evidence from the key contact of their personal identity (for example their passport) and position within the organisation

This client identification procedure must be followed **before any business is undertaken for that client.**

In the circumstances mentioned above you must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable (unless evidence of that client has already been obtained). This applies to existing clients, as well as new ones but identification evidence is not required for matters entered into prior to 1st March 2004.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction cannot proceed any further and in these circumstances should be reported immediately to the MLRO.

As has been stated previously at no time and in no circumstances should a member of staff making a report to the MLRO raise any suspicions to the person whom he/she suspects of money laundering.

4. Risk

The Council must decide for itself how to assess risk and identify the risks of money laundering. It is considered that there may be more risk associated with particular customers or more risk posed by a customer's behaviour, for example:

- brand new customers carrying out large one-off cash transactions;
- complex business ownership structures with the potential for concealing beneficiaries;
- an individual in a public position and/or location that carries a higher exposure to the possibility of corruption (including politically exposed persons);
- reluctance of a customer to provide identification or the evidence produced is unsatisfactory;
- where the customer appears to be acting on behalf of another person and is unwilling to give details of those they represent;
- the customer is trying to use intermediaries to protect this identity or hide their involvement;
- there appears to be no genuine reason for the customer using the council's services;
- transactions that do not appear to make commercial sense
- non face-to-face customers;
- the transaction is different from the normal business of the customer;
- the size and frequency of the transaction is not consistent with the normal activities of the customer;
- there has been a significant or unexpected improvement in the customer's financial position particularly where they are unable to give a proper explanation of where the money came from;
- money is paid to a third party who does not appear to be connected with the customer;

- a cash transaction is unusually large and the customer will not disclose the source of the funds.

5. Record keeping procedures

The precise nature of the records is not prescribed by law, however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the service areas of the council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

6. Other procedures

As well as being obliged to comply with the identification, record-keeping and internal reporting procedures set out above the Regulations also impose an obligation on the council to establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering.

A particular example will be the case of a refund – care will need to be taken especially with the procedures for refunds. For instance, a significant overpayment which would result in a repayment /refund will need to be properly reported to the MLRO, investigated and needs to be authorised before repayment/refund can go ahead.

Cash payments (including notes, coins or travellers' cheques in any currency) will not be accepted if they exceed £5,000.

7. Training

Training will be tailored for each service area so that employees will have an awareness of the Money Laundering Policy and the measures needed to prevent money laundering.

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

[Please tick the relevant box]

Yes

No

If yes, please include details below :

Have you discussed your suspicions with anyone else?

[Please tick the relevant box]

Yes

No

If yes, please specify below, explaining why such discussion was necessary :

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society) [Please tick the relevant box]

Yes

No

If yes, please specify below :

Do you feel you have a reasonable excuse for not disclosing the matter to the SOCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

[Please tick the relevant box]

Yes

No

If yes, please set out full details below :

Are you involved in a transaction which might be a prohibited act under sections 327-329 of the Act and which requires appropriate consent from the SOCA?

[Please tick the relevant box]

Yes No

If yes, please enclose details in the box below :

Please set out below any other information you feel is relevant :

Signed..... Dated.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received :

Date receipt of report acknowledge :

CONSIDERATION OF DISCLOSURE :

Action Plan :

OUTCOME OF CONSIDERATION OF DISCLOSURE :

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the SOCA? [Please tick the relevant box]

Yes No

If yes, please confirm date of report to SOCA:
And complete the box below

Details of liaison with the SOCA regarding the report : Notice Period :to Moratorium Period :to
--

Is consent required from the SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes NO

If yes, please confirm full details in the box below :

--

Date consent received from SOCA:

Date consent given by you to employee :

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure :

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed :

.....

Other relevant information :

Signed :

Dated :

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS.

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25 Whistle blowing policy

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25.1 Who can use this policy?

This policy is for council officers only. Members of the public can use the council's complaints procedure or complain to the ombudsman.

25.2 What does this policy apply to?

This policy applies to anything illegal, improper, unethical or wrong that is done by :

- officers
- councillors
- co-opted committee members and independent members
- anyone representing the council
- partner organisations
- contractors, consultants or other suppliers.

Examples would include a criminal offence, fraud or corruption, damage to the environment, theft or misuse of public money or failure to follow the council's finance, contract or other rules.

The council has other policies and procedures, for example on recruitment and selection, discipline, grievances and diversity. The whistle blowing policy should only be used when other policies are inappropriate.

25.3 Purpose of whistle blowing policy

Officers with serious concerns about any of the council's work are expected to blow the whistle. This policy :

- encourages officers to blow the whistle within the council rather than say nothing or take their concerns elsewhere
- protects whistle blowers from reprisals as long as they have acted honestly

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- provides a procedure for whistle blowing
- ensures whistle blowers get a response
- gives advice on what to do if the response is not good enough.

25.4 Protecting the identity of whistle blowers

The council cannot guarantee to protect the identity of whistle blowers as it may, during an investigation, have to say where it got its information from and disclose the original complaint. The whistle blower may also have to act as a witness in any subsequent hearing.

25.5 How will the council protect whistle blowers?

The council will protect whistle blowers from reprisals as long as they had a reasonable belief that the allegations were true and made them in good faith. Reprisals will be treated seriously as a disciplinary offence and dealt with through the disciplinary procedure. Where workers blow the whistle but do not cite the policy they will still be protected under it.

The council will try to minimise any difficulties resulting from whistle blowing. For example, it will advise whistle blowers about the procedure if they have to act as witnesses.

25.6 Anonymous allegations

This policy encourages workers to put their names to allegations but the council may investigate allegations made anonymously. In deciding whether to investigate an anonymous allegation, the council will consider how serious it is, whether it is believable and whether evidence can be obtained from a non-anonymous source.

25.7 Untrue allegations

Workers will not suffer reprisals for making allegations that turn out to be untrue, as long as they had a reasonable belief that the allegations were true and made them in good faith.

Allegations that are made without a reasonable belief as to their truth or not made in good faith will be treated as a disciplinary offence and dealt with through the disciplinary procedure.

25.8 Role of trade unions and professional associations

Workers can raise concerns themselves or ask their trade union or professional association to act on their behalf. Whistle blowers can bring with them to meetings a trade union or professional association representative or a friend.

25.9 How do workers blow the whistle?

(a) Saying that the whistle blowing procedure is being used

The whistle blower should wherever possible make it clear from the start that they want to use the whistle blowing procedure.

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(b) Putting concerns in writing

Whistle blowers should wherever possible put their concerns in writing, giving as much detail as possible and including relevant dates. Whistle blowers are not expected to prove that their allegations are true but they need to show that there are reasons for concern. If a whistle blower does not feel they can put their concerns in writing, they can be interviewed instead – see 25.10(c).

(c) Who should whistle blowers go to with their allegations?

Whistle blowers should normally go to their line manager or head of service but if the whistle blower does not want to go to their line manager or head of service, they can go to the chief executive, a director, the monitoring officer, the chief finance officer or the head of people and equalities.

If the whistle blower suspects fraud or corruption, they can also go to the Councils' internal auditors. or to the Council's external auditors who are the Audit Commission.

25.10 How will the council respond to whistle blowing?

(a) Notification of allegation

Upon receipt of an allegation under this policy the person receiving the allegation must notify immediately the monitoring officer, the chief finance officer and the head of people and equalities (unless the allegation relates to one of these)

(b) Appointment of an officer to investigate

The person receiving the complaint will agree, in consultation with the monitoring officer, the chief finance officer and the head of people and equalities how (unless the allegation relates to one of these) the allegation will be investigated and write to the whistle blower within 10 working days. The letter should:

- Acknowledge that the whistle blower has used the whistle blowing policy
- Say how their concern will be dealt with and how long they think this will take
- Tell them whether any initial enquiries have been made
- Say what further action will be taken (or say why no further action will be taken)
- Tell them they have the right to bring someone with them to any meetings they have to attend about the allegation

(c) Interviews

If the whistle blower has not put their concerns in writing, they may be interviewed. A summary of the interview will be made which will be signed by the person conducting the interview and the whistle blower.

(d) Further action

After preliminary investigation the council will take further action if the investigation officer decides it would be in the public interest to do so. Further action may include:

- arranging an investigation by management or internal auditors
- arranging a disciplinary process
- referring allegations to the police
- referring allegations to the external auditor
- arranging an independent inquiry if the allegations are very serious or complicated.

(e) Response to whistle blowers at the end of the investigation

If the law allows, the council will tell the whistle blower the outcome of any investigation within 10 working days of it ending.

25.11 Taking concerns further

If a worker has sought advice and feels it is right to raise their concerns outside the council, people they could approach include their local councillor, the external auditor, the health and safety executive, a government department, a solicitor, the police, an MP or a relevant professional body or regulatory organisation.

If a worker does raise their concerns outside the council, they must do it without passing on confidential information. The monitoring officer can give advice on this.

25.12 Monitoring and reporting

The chief finance officer will report on a quarterly basis to the audit and governance committee on the number (if any) of whistle blowing complaints made as part of the council's anti-fraud and corruption awareness framework

25.13 Responsibility for this policy

The monitoring officer and the standards committee have overall responsibility for this policy and how it is used. The standards committee will review how the policy is working.

To: Audit & Governance Committee

Date: 16th April 2012

Item No:

Report of: Head of Finance

Title of Report: Preparation for the completion of the Statement of Accounts for 2011-12

Summary and Recommendations

Purpose of report: To update members on the preparations being made for the completion of the Statement of Accounts for 2011-12

Report Approved by:

Policy Framework: Financial stability

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the preparations for the Statement of Accounts for 2011-12 and agree the changes in accounting policies, as per Appendix A.

Appendix A – Revised Accounting Policies

Appendix B – A copy of closedown guidance note for Managers

Appendix C – Working paper template.

BACKGROUND

- 1 The Annual Governance Report from the Audit Commission for last year gave an 'unqualified opinion' on the Council's Statement of Accounts for 2010-11. This was a considerable achievement for the second year running especially as last year was the first year of adoption of International Financial Reporting Standards (IFRS) which for many authorities was problematic.

NEW ISSUES FOR 2011-12

- 2 Given the significant changes for IFRS adoption last year this years 'closedown' is seen as a period of consolidation. However there are a number of changes which Members need to be aware of, some of which require changes and additions to our accounting policies.
- **Heritage Assets**
This is a new accounting policy required for 2011/12, due to the introduction of accounting for Heritage assets, and can be found in full at 1.14 in Appendix A. In summary all Heritage assets have to be identified and valued, but these assets are deemed to have an indeterminate life and high residual value, and the Authority does not consider it necessary to provide for depreciation.
 - **Interest in Companies and Other Entities**
This is a new accounting policy required for 2011/12. Members will be aware that the Council are part of a joint venture company with Grosvenor for the development of land at Barton. A proportion of the assets and liabilities of the company will belong to the Council and as such Group accounts are required to be prepared. The method adopted is to provide side by side Financial Statements consolidated on a proportionate basis. This is shown in 1.16 in Appendix A.
 - **Carbon Reduction Commitment Allowance**
This is a new accounting policy required for 2011/12, the Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. For 2011/12 the Council will be required to accrue for its energy credits for the year. The policy can be found in 1.27 in Appendix A.
 - **Housing Revenue Account (HRA) Self Financing**
On 28th March 2012 the council will pay DCLG £198.5 million in relation to the HRA self financing reforms. The accounting entries for this will show this amount in the HRA CI&E, but will be taken back out through the MIRS so as not to affect the bottom line. This is referenced in the accounting policies shown in Appendix A at paragraph 1.28.
 - **Housing Levy**
The Council has adopted a policy of making a levy on the square footage of housing development land. This requires an accounting policy to be stated, this can be found in Appendix A at 1.13
 - **Foreign Currency Transactions**
This is an additional Accounting policy to account for the Icelandic deposit that has been returned in a combination of

currencies, however this will also deal with any further foreign transactions should we have any. The details can be found in Appendix A paragraph 1.10.

- **Community Infrastructure Levy**

This is a new scheme starting in 2011/12, therefore a new Accounting Policy has been created to outline how the Council will deal with these. The details can be found in Appendix A paragraph 1.12.

- There have also been some small additional changes to the Accounting Policies, in particular to General Principles; Overheads and Provisions. These changes are due to changes in the Code and Service Reporting Accounting Code of Practice (SeRCOP), however these changes are not significant to our policies..

3 Whilst the progress on accounts closure has been significant, a number of areas of improvement around working papers were highlighted by the Audit Commission as follows :

- a. Lack of narrative to explain links to supporting spreadsheets
- b. A number of working papers did not support the figures in the accounts
- c. Issues around linking the trial balance to the Councils' general ledger

4 In response to these recommendations the following actions have been carried out:

- A working paper template incorporating a detailed explanation of supporting spreadsheets has been prepared and circulated to all accountants, as per Appendix C.
- the Comprehensive Income and Expenditure Account, Balance Sheet and Segment Report are now automatically linked to the Council's general ledger on Agresso allowing easier reconciliation.

GUIDANCE AND TRAINING

5 In line with previous years a guidance note has been issued to all Heads of Service, Operational Managers and staff involved in the closedown process. A copy of the guidance is attached at Appendix B. There are no significant changes to previous years.

6 Training has been provided to Management accountants in specific areas such as accounting for grants, depreciation, the importance of

adhering to the closedown timetable and the escalation of issues that arise. Monitoring of the overall timetable will be undertaken by the Financial Accounting Manager and Head of Finance throughout the closedown process.

Financial Implications

- 7 These are adequately covered within the report

Legal Implications

- 8 There are no legal implications in connection with the recommendations included within the report

Risk Implications

- 9 There would be a reputational impact for the council should we not achieve an unqualified set of accounts of 2011/12. However progress towards this means that this risk is currently at an impact of medium and a probability of low.

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Background papers: None

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2010/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, and this requires the preparation to be in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service reporting Accounting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historic cost modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received:

- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- supplies and services are recorded as expenditure when they are consumed, where there is a gap between the date supplies are received and their consumption; they are carried as Stock on the Balance Sheet. This also applies where the Council acts as agent, most significantly for Council Tax and NNDR collection. The Council collects all precepts on behalf of the major preceptors, and the deficit or surplus held will be shown as a debtor or creditor balance respectively
- interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- income and expenditure are credited and debited to the relevant service revenue accounts, unless they properly represent capital receipts or capital expenditure.

Exceptions to this principle are:

(i) utility bills and similar instalment payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts

(ii) certain payments made on a claims basis which are regular in terms of incidence (such that the accounting period contains twelve full months) or for which the accrual would be immaterial.

(iii) accruals of less than £500 are not adjusted for within the accounts due to the level of materiality of the transactions.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash Equivalents are readily convertible to known amounts of cash with insignificant risk of change in value. Oxford City Council regards overnight funds to represent a Cash Equivalent. In the Cash Flow Statement Cash and Cash Equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.4 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures

are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue and Non-Current Assets

Services, Support Services and Trading Accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of Intangible Fixed Assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from Revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Oxford has not made a contribution due to applying a prudent assessment.

Depreciation, revaluation and impairment losses and amortisations are replaced in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement.

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those falling due within 12 months of the year end) such as wages, salaries and paid annual leave and sick leave, bonuses and non monetary benefits for current employees, are considered as an expense in the year in which the employee renders the service to the Authority.

An accrual is made against services in the surplus or deficit on the provision of service, (where considered material) for the cost of holiday entitlement and other forms of leave earned by employees but not taken before the year end, and which may be carried forward into the next financial year based on following years salary. Accruals are not made for immaterial costs in respect of outstanding car mileage claims.

Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Compensation Absences Adjustment Account in the Movement of Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy

The statutory provision requires the General Fund to be charged with the amount agreed to be payable to the Pension Fund, not the amount calculated under IFRS. In the Movement of Reserves Statement, appropriations are made to and from an Employment Reserve, a balance of this account appears on the Balance Sheet. The Employment Reserve is matched by the accrual for termination.

Post-employment Benefits

Employees of the Authority are members of the Local Government pension fund administered by the Oxfordshire County Council

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Oxfordshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to-date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- the liabilities are discounted to their value at current prices, using a discount rate of 5.5%, based on the indicative rate of return on the iBoxx High Quality 15 Year corporate bond which is AA rated.
- the assets of Oxford County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price

- property – margin above yield.

The change in the net pension's liability is analysed into seven components:

1. Current Service Cost – the increase in liabilities as a result of years of service earned is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
2. Past Service Cost – the increase or reduction in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
3. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
4. Expected Return on Assets – the annual investment return on the Fund assets attributable to the Authority, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
5. Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
6. Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve
7. Contributions paid to the Oxfordshire County Council Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative

balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award.

1.8 Events after the Balance Sheet Date

Events after the balance sheet date are those happenings, favourable or unfavourable, that have occurred between the Balance Sheet Date and the date when the Statement of Accounts is authorised for issue. FRS21 sets out the recognition and measurement requirements for two types of events after the Balance Sheet Date:

- *adjusting events* – those that provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts included
- *non-adjusting events* – those that are of sufficient materiality that their disclosure is required, in the notes to the Core Financial Statements, for the fair presentation of the financial statements.

1.9 Financial Instruments and Financial Assets

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets can be classified into two types, however as Oxford has no Available For Sale Assets the policy is restricted to Loans and

Receivables (assets that have fixed or determinable payments but are not quoted in an active market).

Loans and Receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the way in which the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are to be consumed by the recipient, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area based Grant

Oxford City Council record Area Based Grant (ABG) from the Government in relation to Climate change as a general revenue grant within the Comprehensive Income and Expenditure Statement under the heading Taxation and Non Specific Grant Income. ABG is a non-ringfenced grant.

1.12 Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL) the levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council will charge for and collect the levy in 2013. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions and will be recognised in the Comprehensive Income and Expenditure

statement in accordance with the accounting policy for Government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion may be used to fund revenue expenditure.

1.13 Housing Levy

The Council has adopted a policy of making a levy on square foot development of housing development. The levy will be received as income and recorded in the service within the Comprehensive Income and Expenditure Account, but then earmarked through the Movement In Reserves Statement (MIRS) to be retained to assist social housing development. When the earmarked reserve is applied an entry will be made in the MIRS to reduce the earmark reserve and increase the general fund balance to compensate for the expenditure applying the levy.

1.14 Heritage Assets

A tangible Heritage Asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible Heritage Asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible Heritage Assets include recordings of significant historical events.

Property Heritage Assets that are operational are not separately identified, and are included in the appropriate Property Plant and Equipment, or Investment property category of the Council's Balance Sheet.

Property Heritage Assets that are not operational will be identified separately on the face of the Balance Sheet in the Category of Heritage Assets and will follow the accounting treatment appropriate to the asset.

Measurement Rules in relation to other Heritage assets

Oxford City Council Heritage Assets can be categorised as follows:

- The Great Mace and Plate Room Silver Plaques and Cutlery
- Furniture
- Civic Regalia and Chains of Office (including number Plate)
- Firearms
- Pictures and Drawings

These assets are deemed to have an indeterminate life and high residual values, and the Authority does not consider it necessary to provide for depreciation.

The assets movements are relatively static with very little acquisitions or disposals. However, acquisitions are initially recognized at cost, and donated assets at insurance valuation.

- Memorials gardens and City Walls

The Authority has identified War Memorials in St Giles, and Marston Road, which along with the ancient City walls (inside New College, and Hall Street) and the Rewley Abbey Wall meet the criteria of Heritage assets. However, these assets lack any comparable market values and cost records do not exist. The cost of providing a Balance Sheet valuation on these assets would be disproportionate to any benefit to the user of the Authorities financial statements and therefore are excluded from the Balance Sheet.

- Heritage Non operational property

The Authority has identified the Plain Fountain which is a significant Asset in terms of its cultural and Heritage presence. The Asset is included in the Balance Sheet at it Depreciated replacement Cost.

The value will be reviewed every five years to ensure any potential material changes can be reflected

The asset has a definable life and therefore will be depreciated.

- Oxford City First Registration number plate

The Council's Mayors Car carries the first registration plate issue in Oxford, and the plate is valued at market value.

The value will be reviewed every five years to ensure any potential material changes can be reflected

These assets are deemed to have an indeterminate life and high residual values, and the Authority does not consider it necessary to provide for depreciation.

1.15 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of a past event (e.g. software licences and system development expenditure) is capitalised when it is expected that future benefits or service potential will flow from the intangible asset to the Authority, and are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Internally Generated Assets are capitalised when it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. (Research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is primarily intended to promote or advertise the Authorities goods or services. Website development for a business purpose would be capitalised.

Intangible Assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciation of an Intangible Asset is amortised over the asset's useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an Intangible Asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on Intangible Assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.16 Interest in Companies and Other Entities

The Authority has material interest in the Barton Oxford LLP. The Council has a 50% interest in the Company and share profit and losses, and is therefore required to prepare group accounts. The method adopted in the financial statements is to provide side by side Financial statements consolidated on a proportionate basis.

1.17 Inventories and Long Term Contracts

Inventories are normally valued at the lower of cost or net realisable value where practical. However, for small value stocks current purchase price or average cost may be used. This is a departure from the Code, but the effect is not material to the Council's accounts.

Where the Council has entered into contracts that run for longer than one year, they are disclosed as a note to the accounts. Entries are only realised in the Balance Sheet if the contracts become onerous, in which case the Council would recognise the difference between the fair value of the contract and the actual payments due to be made, effectively creating a Provision.

1.18 Investment Property

Investment Properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and Losses on Revaluation are posted to the Financing and Investment line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Property are credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement, and result in a gain for the General Fund Balance.

Revaluation and Disposal Gains and Losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale cash received, where greater than £10,000).

1.19 Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as Operating Leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under Finance Leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under Finance Leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under Operating Leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

b) The Authority as Lessor

Finance Leases

Where the Authority grants a Finance Lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a Capital Receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the rentals are received, the repayment element is used to write down the long term debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements

for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an Operating Lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.20 Overheads and Support Services

The cost of Overheads and Support Services are charged to those that benefit from the supply of services based on use and in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Accounting Code of Practice 2011-12 (SeRCOP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.21 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation and replacement of components is capitalised on an accruals basis.

The cost of components replaced are added to the asset carrying value, and an assessment of the carrying value of the component replaced is made, and then derecognised.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase are deemed to be at fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum they are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether there is any indication that they may be impaired. Where indications exist and differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, and where material, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community

Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life, as advised by a suitably qualified officer
- infrastructure – straight-line.

Where an asset comprises major components whose costs are significant in relation to the total cost of the asset, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less sales costs. Where there is a subsequent decrease in the net fair value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain

or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Revaluation Reserve on Assets Held for Sale (AHFS) is frozen in the previous asset category as the identification of an AHFS removes the capital accounting requirement. It is only when the asset disposal takes place that the revaluation reserve is moved to the Capital Adjustment Account.

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. In the case of pooling of Land the council can apply the sums to regeneration, and social housing investment.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.22 Private Finance Initiative (PFI) and Similar Contracts

The Council did not operate any PFI contracts during 2010/11.

1.23 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by the transfer of economic benefit, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

The Council maintains a Provision for the funding of the self-financed element of insurance claims. This Provision is funded through contributions from the relevant Service Revenue Accounts.

Provisions for bad or doubtful debts are separately disclosed against debtors on the Balance Sheet and are not included in the Provisions figure. Known uncollectible debts have been written off.

Provisions are charged to the appropriate Revenue Account and when payments for expenditure are incurred to which the Provision relates they are charged direct to the Provision. Provisions are reviewed at each Balance Sheet date and if no longer required are reversed. In addition, Provisions for bad debts have been made within the accounts for expected losses of income in respect of sums due but not received from debtors.

Contingent Liabilities

Contingent Liabilities are not recognised as liabilities in the Balance Sheet; however, all contingent liabilities are disclosed if there is a possibility of an outflow of economic benefit.

A Contingent Liability arises where an event has taken place that gives the Authority a possible obligation and whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent Assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where it is probable that there will be an inflow of economic benefit or service potential.

1.24 Reserves

The Council sets aside specific amounts as Reserves for future policy purposes or to cover contingencies. These are separate from Provisions. Reserves are created by appropriating amounts in the

Statement of Movements on the General Fund Balances. When expenditure to be financed from a Reserve is incurred, it is charged to the appropriate Service Revenue Account in that year to count against the Net Cost of Services in the Income and Expenditure Account. The Reserve is then appropriated back to the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain Reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits. They do not represent usable resources for the Council.

Capital Reserves are not available for revenue purposes and some can only be used for specific statutory purposes. The Capital Adjustment Account represents the balance of the surpluses or deficits arising from the periodic revaluations of fixed assets and the amounts set aside from revenue or capital receipts to finance expenditure on fixed assets and certain other capital financing transactions. The Revaluation Reserve contains valuation gains recognised since 1 April 2007.

The Major Repairs Reserve is required by statutory provision in relation to the Housing Revenue Account (HRA).

The Council also has other specific Earmarked Reserves set out in more detail in the Notes to the Core Statements. These are set aside for purposes falling outside the definition of provisions. They are earmarked specifically to meet future items of revenue or capital expenditure.

1.25 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.26 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.27 Carbon Reduction Commitment Allowances

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide purchased as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and apportioned to the services on the basis of energy consumption.

1.28 HRA Self Financing

On 28th March 2012 the council will pay Department for Communities and Local Government £198.5 million in relation to the Housing Revenue Account (HRA) self financing reforms. The accounting entries for this will show this amount in the HRA CI&E, but will be taken back out through the Movement In Reserves Statement so as not to affect the bottom line. This new accounting policy has been established to enable the future repayments to be used to reduce the loan liability and is being accounted for in 2011-12 as an exceptional item.

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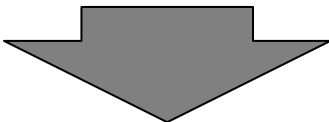
2011/12 YEAR END CLOSING OF ACCOUNTS GUIDANCE

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KEY DATES

NOW	Read the guidelines – make sure you know what will be required and if in any doubt, contact your Accountant
28 March	Last day for debtor requests to be received in Finance Last day for creditor invoices to be received in Finance
30 March	Last Day for Creditor and Debtor processing on system
30 March	Petty Cash & Stock – any cash balances / stock held must be counted and reconciled at close of business today
5 April	Flex & Toil – data to be returned to Finance
6 April	Petty Cash & Stock – certificates to be returned to your Accountant in Finance
13 April	Accruals forms – all forms to be returned to Finance, with full working papers
11 May	All ledger entries completed – capital and revenue accounts closed
31 May	Provisional Outturn 1 st draft of report completed
8 June	Draft Statement of Accounts completed
28 June	Audit Committee Approval of Draft (Unaudited) Statement of Accounts



1.0 OVERVIEW AND BUDGET HOLDER AND COST CENTRE MANAGER RESPONSIBILITIES

- 1.1 These notes provide guidance for budget holders / cost centre managers in closing the accounts for 2011/12.
- 1.2 The statutory deadline by which the authority must approve its accounts is 30 June.
- 1.3 The key dates in the closure programmes are shown in Section 15 (page 12), your co-operation is vital to achieving these deadlines.
- 1.4 The guide sets out the responsibilities of budget holders / cost centre managers and the commitments made by Finance to support staff during this process and to answer some of the more frequently asked questions which are raised each year.
- 1.5 Throughout this guidance reference is made to “your Accountant” – a directory of key contacts can be found in Section 16.0 (page 13).

2.0 BUDGET HOLDER / COST CENTRE MANAGER RESPONSIBILITIES

- 2.1 Budget holders and cost centre managers have a key role to play ensuring that the Statement of Accounts fairly reflects expenditure incurred during the year and the income due during the year rather than actual money paid or received.
- 2.2 It is therefore necessary to identify all goods and services received for which no payment has yet been made and account for these as *creditors*; and to identify goods and services provided for which no income has yet been received and to account for these as *debtors*.
- 2.3 It is also vital that you review your service(s) outturn for accuracy and completeness. If known items of income or expenditure appear to be missing or miscoded, talk to your Accountant who will assist you in correcting any errors. Your Accountant will arrange for any necessary transfers (in accordance with journal guidelines and associated certification requirements) within 5 working days.

3.0 INCOME

If I receive income (cash/cheques) do I need to do anything?

- 3.1 If you receive cash or cheques directly into your service, it is important that this is banked through the payments team promptly at the year-end. Please ensure finance receive all cash and cheques by the end of 29th March 2012 to ensure these are posted into 2011/12 accounts.
- 3.2 Any cash or cheques received in finance after this date will be paid into 2012/13, if the cash relates to 2011/12 please talk to your accountant to arrange the transfer.

4.0 PETTY CASH / CHANGE FLOATS

I hold Petty Cash and/or a Change Float – do I need to do anything?

- 4.1 Any cash held should be counted and reconciled at close of business on **30th March 2012**.
- 4.2 If there are any outstanding advances, every effort should be made to clear them before 30th March 2012. If this is not possible, please complete a creditor form for the total of the expected claim.
- 4.3 All balances held must be recorded on a year end **Cash Imprest Certificate**, these will be circulated to all Heads of Service on 16th March, these should be completed, signed by the responsible officer and returned to your Accountant by **6th April 2012**.

5.0 STOCK

What do I need to do if I hold stock?

- 5.1 If you hold any significant amount of stock, then a stock take should be carried out at close of business on **30th March 2012**.
- 5.2 Any stock will need to be counted, recorded and valued as at 31 March 2012. The usual method of valuing stock is the lower of either cost or net realisable value (How much you can sell it for), in most cases this will be cost value. If a different valuation method has been used please state the method used and why on the stock certificate.
- 5.3 During the stock take, please identify any damaged or obsolete stock. Any stock held belonging to third parties must be kept separate from that of the Council.
- 5.4 Stock balances must be recorded on the year end **Stock Valuation Certificate**, these will be circulated to all Heads of Service on 16th March, these should be completed, signed by the responsible officer and returned to your Accountant by **6th April 2012**.
- 5.5 If you are not sure whether or not you need to undertake a stock take, please check with your Accountant. This does not include small stocks of stationery held in departments.

6.0 DEBTORS

What is a debtor?

- 6.1 A debtor is someone who owes money to the Council for goods or services provided on or before 31 March 2012. If you have any debts to raise for goods and/or services you have already provided please complete an invoice request, authorise them and pass them to the Incomes Team in Finance as soon as possible.

What do I do with debtor invoice requests?

- 6.2 Debtor Invoice requests received by the Incomes Team (Nicki Peirce) by 28th March will be processed as normal and no further action is required.
- 6.3 If you have a debtor invoice request that is for 2012/13 please pass these to the incomes team with 2012/13 clearly marked in red on the top right hand corner of the request, these will be raised after the 31st March.
- 6.4 Should you have any 2011/12 debtor invoice requests after 28th March these need to be included on a Debtors form and passed to your Accountant no later than **13th April** for inclusion in 2011/12 accounts.

How do I record a debtor?

- 6.5 Where invoice requests have not been raised but debts are outstanding for goods and services provided on or before 31st March, these should be listed on the year end **Debtors Form** and returned to your Accountant by **13th April 2012.**

Does the value matter?

- 6.6 Yes – please do not request individual transactions for less than £500

7.0 CREDITORS

What is a creditor?

- 7.1 A creditor is someone who the Council owes money to for goods and services received on or before 31st March 2012.
- 7.2 A creditor provision is NOT a way of appearing to have spent your budget – it must relate to goods or services provided but not paid for in the financial year and match with the invoice when received. Finance are required to look closely at creditor provisions raised to ensure that they are valid. External Audit will also carry out a review to assess the accuracy of any provision made, and full working papers will need to be provided to substantiate any creditor if requested.

How do I deal with Purchase Orders / Commitments?

- 7.3 The payments team process invoices that they receive from suppliers or yourselves on a daily basis. It is your responsibility to check and chase the suppliers for all invoices relating to outstanding purchase orders in your area.

What do I do with Invoices?

- 7.4 If you have invoices on your desk now for goods and/or services you have already received please authorise and pass them to the payments team as soon as possible, marking them clearly with the year to which they relate.
- 7.5 In order to make payments into 2011/12 all authorised invoices must be clearly marked with '2011/12' in red ink and received by the payments team by **5pm on Wednesday 28th March 2012** at the latest, this will ensure that they are entered into the 2011/12 accounts.
- 7.6 Any invoice received by the payments team after the 28th March, should be clearly marked in red ink with the year to which they relate. If they relate to 2011/12 ensure your Management Accountant is aware of these invoices to ensure they are accrued for correctly. Any invoice received with no year clearly marked will be posted into the new financial year.

How do I do a manual creditor?

- 7.7 Amounts payable for goods or services received on or before 31st March 2012 but for which no invoice has been received should be listed on the year end **Creditors Form**.
- 7.8 These forms must be completed and returned to your Accountant by **13th April 2012**.

Do I need to record all manual creditors?

- 7.9 No – please do not request individual transactions for less than £500
- 7.10 Some care should be taken with regard to bulk orders. It may be the case that an individual item is under £500 yet it forms part of a larger order from a single supplier. In this case, the value of the total order should be shown as a creditor, even though this may result in a creditor on any particular expenditure code being under the £500 level.
- 7.11 With regard to electricity / fuel bills and other regular payments, there may be some situations where a creditor does not need to be made, despite the fact that the item may be over £500. Please speak to your Accountant to agree where this is the case.
- 7.12 Where regular payments are made (e.g. quarterly subscriptions), a pragmatic approach should be taken, where the expense shown in the accounts should be the correct amount for the year; if not, make sure that there are four payments (if a quarterly account) within the financial year in question covering the 12 month period.

What happens if the value of the creditor is unknown?

- 7.13 As creditors should cover any goods or services received but for which an invoice has not been paid, it is quite likely that the value of some creditors will not be known and an estimate will be required. Please do not wait until an invoice is received, your best estimate of the value will be sufficient, but if you need any assistance with estimation

please contact your management accountant. You will still be required to provide working papers to support your estimation.

- 7.14 It is possible in extreme circumstances to alter the estimate if the actual value is significantly different. However, this can only be done up to 18th April and will not normally be done unless the value of the change is greater than £5,000. If this is the case, please notify your management accountant as soon as possible.

What happens if I miss a creditor provision?

- 7.15 Each year the External Auditors will review invoices paid in the New Year to see if they relate to goods or services supplied in the old year and whether a creditor has been missed. The auditors will report these findings to Audit & Governance Committee and if items have been missed they will be reported as errors. In order to avoid this, please make sure that you perform a full review of all your budgets.
- 7.16 If you receive an unexpected invoice after the 18th April 2012 deadline for which a creditor should be provided, please process in the New Year as normal but if it is for a value of £5,000 or over, speak to your Accountant.

What records should I keep/provide?

- 7.17 You should provide all supporting documentation for all creditor provisions (e.g. delivery notes, confirmation of attendance at a course, etc.) so that we can supply this to the External Auditor.

What happens if goods ordered against 2012/13 budgets arrive before 1 April 2012?

- 7.18 If the goods (or services) arrive before the year end, they must be accounted for in the old year, by completing a year end creditor form and returning to finance by 13th April 2012.

8.0 PAYMENTS IN ADVANCE / PREPAYMENTS

What is a payment in advance?

- 8.1 A payment that has been made before 31st March 2012 for the supply of goods or services after that date.
- 8.2 A typical example would be an annual subscription paid in October 2011; there should only be 6 months in 2011/12 to cover the period to 31st March 2012, and 6 months in 2012/13. Assuming the subscription was for £1,000 then there would be a payment in advance of £500.

What do I do if I think I have a payment in advance?

- 8.3 Speak to your Accountant who will be able to advise you. As with a pragmatic approach should be taken and as long as a full years cost is accounted for in each financial year a payment in advance may not be necessary.
- 8.4 If a payment in advance has taken place, please complete the year end **Payment In Advance Form** and return to Finance by 13th April 2012.
- 8.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

9.0 RECEIPTS IN ADVANCE

What is a receipt in advance?

- 9.1 Income that has been received before 31st March 2012 for goods or services supplied after that date.
- 9.2 A typical example would be external income received in advance for an event or course being held by the Council. If the income is received in March 2012 and the event or course is not held until April 2012, this is a receipt in advance and therefore should be included within 2011/12 accounts.

What do I do if I think I have a receipt in advance?

- 9.3 Speak to your Accountant who will be able to advise you.
- 9.4 If a receipt in advance has taken place, complete the year end **Receipts In Advance Form** and return to Finance by **13th April 2012**.
- 9.5 As with Debtors and Creditors, please do not record individual transactions of less than £500.

10.0 WORK IN PROGRESS

What is work in progress?

- 10.1 Work that has been carried out on an ongoing project or scheme before 31st March 2012, but will not be completed and/or invoiced until after 1 April 2012.

How do I value work in progress?

- 10.2 For work in progress to be valued correctly, expenditure will have to have been incurred on or before 31st March 2012, that is materials and goods must have been physically received on or before that date. Likewise, any direct labour must have been physically carried out on or before 31st March 2012.

What do I do if I think I should account for work in progress?

- 10.3 Please speak to your management accountant who will be able to advise you if a provision for work in progress is required and assist you with calculating the provision.

11.0 CARRY FORWARD REQUESTS

- 11.1 If you have a specific request for a carry forward, please complete a carry forward request form and return to finance by 20th April 2012.
- 11.2 Each request will be consider on a case by case basis by the Head of Finance in conjunction with Directors and in light of the overall outturn position of the Council.
- 11.3 Any requests below £5k will be assessed by the Head of Finance, and any over this amount will need to be submitted to CEB.

12.0 CAPITAL

Is capital closure any different?

- 12.1 Accounting for capital spending of the Council involves special care. While in principal the procedures outlined above should be followed for capital as well as revenue, it is essential that capital accruals are recorded on separate schedules from revenue.
- 12.2 If you are responsible for capital spending, you must ensure that all capital accruals are advised to your Accountant by **13th April 2012** using the appropriate Capital Creditor forms.

Capital Contracts Retention and Certification of Work

- 12.3 Measurement of capital works is vital. Contracts where retention is relevant should be identified and the retention costs reported to your Accountant. Where possible valuations for capital works in progress should be undertaken as close to the 31st March 2012 as possible so that the correct value of works to date is recorded in the accounts. Any invoice submitted relating to such valuations not paid in 2011/12 should be submitted on the appropriate Capital Creditors Form by **13th April 2012**.

Commitments Under Capital Contracts

- 12.4 We are required to disclose within the Statement of Accounts where we have committed future resources to capital projects, either contracted as at 31st March 2012 but not yet started, or projects that are running but not complete and will represent a commitment to future capital spend.
- 12.5 If you are responsible for a capital project, you must provide a calculation of the commitment entered into and an indication of when the spend will take place. This should not include capital creditors which you have already actioned.
- 12.6 Should you require any general assistance regarding capital closure, please contact your Accountant.

13.0 OTHER ISSUES

Claims by or against the Council

- 13.1 Claims made by, or against the Council can lead to contingent assets or liabilities. Please inform your Accountant if you are aware of any such claims outstanding as at the year end who will then ensure that any liability or asset is correctly identified and disclosed within the accounts.
- 13.2 You will need to provide an estimate of the financial impact and indicate the uncertainties relating to the timing and/or amount of the claim.

Leases

- 13.3 Where the Council receives income from assets leased to others (i.e. the Council is the Lessor), summary details must be published within the Statement of Accounts setting out the value of the assets and the income received under such arrangements.
- 13.4 Alternatively, if you lease an asset from another party to use in the provision of your services (i.e. the Council is the Lessee). Details of the payments made under the

terms of these leases, along with the financial value of the remaining lease term after 1 April 2012 is required.

- 13.5 If you are responsible for leasing the Council's property to others or lease assets for your service, please talk to your Accountant who will be able to advise you of the detailed requirements.

Grants

- 13.6 Please inform your Accountant if you receive grant income. This is necessary to ensure that all terms of the grant are identified and met e.g. what expenditure is eligible, whether the grant can be carried forward, if the grant is capital or revenue, etc. Usually, a separate account code will have been created to record transactions against the grant, which can then be monitored to ensure claims are submitted as and when required and where applicable, an audit of the grant / claim can be undertaken.
- 13.7 Any grants received that have not been fully utilised at the year end should be identified and the relevant paperwork provided to your Accountant, **by the 13th April**, relating to the residual balance which may then be carried over into the new financial year, if this is allowable under the terms of the grant.

People & Equalities

- 13.8 Under the accounting regulations, we are now required to account for any holiday entitlement (annual leave, time off in lieu, flexi-leave, etc.) due to staff as at the end of the financial year. Annual Leave information will be obtained from I-trent, however we will need to collate any Flex or TOIL balances as at 31st March for all staff directly from the Service area. A form will be sent out to all Heads of Service towards the end of March to collect this information, which must be provided to Finance by the **13th April 2012** at the latest.

14.0 EXTERNAL AUDIT REQUIREMENTS

- 14.1 The Audit Commission are the Council's external auditors and they will be undertaking the audit of the 2011/12 financial statements. The audit will commence on the 2nd July 2012 and can be for a period of up to 3 months.

Interim Audit –	w/c 9 th Jan for 4 weeks
Statement of Accounts –	1 st July for up to 3 months

- 14.2 The Interim Audit is concerned with documenting the main financial processes, identifying key controls and assessing the effectiveness of these controls. The result of this work allows the auditor to assess the risks that specific figures stated in the 2011/12 Financial Statements might be misstated. The auditor will look to spend time with selected Council officers in order to understand and 'walk through' the systems.
- 14.3 The assessment of control risk helps determine the amount of detailed audit work that will be required to verify balances presented in the 2011/12 financial statements, which is the purpose of the second audit visit. This work will usually consist of either 'analytical review' or 'substantive testing'.

-
- 14.4 Analytical review looks for a detailed explanation, supported by evidence, for any changes in an account balance in comparison to expectations (e.g. against the budget or last years figure). Substantive testing looks to verify a 'sample' of the components which make up a balance, by matching them to primary third party evidence (e.g. supplier invoices to verify a creditor balance).
- 14.5 In most cases responsible budget managers or Heads of Service will be required to get involved in this process along with the Accountant for that Cost Centre. Please inform your accountant as soon as possible of any leave that is to be taken at the same time as the planned audit periods so that the auditors work can be rescheduled.
- 14.6 For the analytical review the auditors will look at financial balances which differ from what was expected either from past experience or from projections made at the start of the year. These differences can sometimes be an indicator of misstatement, changes in the allocation of transactions which make up the balance or that transactions are missing from the balance. This will involve an investigation of significant variances between the actual figure at 2011/12 year end, the 2011/12 budget and the figure at the 2010/11 prior year end.
- 14.7 For substantive testing, a sample of transactions making up an account balance will be selected and the auditors will look to verify the value, timing and existence of these transactions (e.g. a debtor or creditor). This provides assurance that transactions actually took place and are recorded in the correct accounting period at the correct value. To do this they will need to see original evidence, preferably from a 3rd party (e.g. the invoice or purchase order to which it relates)
- 14.8 The Auditors will supply in advance, a list of specific evidence that will be required to support the audit and budget holders may be expected to contribute towards this. In addition, the auditors may request further information as the audit work progresses. Requested information must be supplied promptly, in order to avoid overruns in the audit timetable.

15.0 KEY CONTACTS

Overall Process	Anna Winship	2517
Finance	Paul Swaffield	2481
Business Transformation	Marie Molyneux	2174
ICT	Paul Swaffield	2481
People and Equalities	Marie Molyneux	2174
Law and Governance	James Marriot	2732
City Leisure	James Marriot	2732
Policy, Culture and Communication	Marie Molyneux	2174
Environmental Development	Paul Swaffield	2481
Corporate Assets	Jonathan Marks	2105
City Development	Jonathan Marks	2105
Community Housing and Dev	Endah Paton	2102
Customer Services	Marie Molyneux	2174
Direct Services	Suzan Smart	2483
Housing Revenue Account	Catherine O'Connor	2534
Accounts Payable / Creditors	Denise Sheppard	2607
Accounts Receivable / Debtors	Nicki Peirce	2653
Capital	Andrew Friar	2763
Other		
Collection Fund	Adrian Wood	2619
Treasury Management	David Cripps	2739
Insurance	Anna Winship	2517
Housing Benefits	Adrian Wood	2619

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BALANCE SHEET 2011/12
Summary Working Paper



Note xx	xxxxxxx
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Closing Balance: W/P Version Number: W/P Ref:

Title	
Brief purpose/objective of working paper <i>(use additional details tab if necessary)</i>	
Disclosure in Statement of Accounts supported by w/p <i>(include ref to SoA version & relevant Balance Sheet line and supporting note)</i>	
Information sources for w/p - identifying any financial systems used with sufficient info to enable data retrieval <i>(use additional details tab if necessary)</i>	
Contact for further information (if not preparer identified below)	

Briefly explain below how the year-end balance is substantiated		£		Variance £
Balance b/fwd from 31 March 2011:		0.00		0.00 #DIV/0!
Balance c/fwd at 31st March 2012:		0.00		0.00 #DIV/0!

A copy of all working papers, notes, reconciliations, cross references, and an Agresso print of this code, to substantiate the final balance should be provided

Number of pages of working papers attached:			
--	--	--	--

Briefly explain how the variance is substantiated <i>(explanation needed if variance is over £100k or 10% - use additional details tab if necessary)</i>	-

	Name	Title	Date	Signature
Prepared by:				
	Contact details			

Reviewed by:				
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	Amended by	Change(s) made	Version	Date	Signature
Amendments:					

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BALANCE SHEET 2011/12
Summary Working Paper Reconciliation Form - additional details

Note xx	XXXXXXXX
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W/P Ref:

Version No:

www.oxford.gov.uk



Please clearly identify the w/p summary tab section to which any additional details refer

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To: Audit & Governance Committee

Date: 16th April 2012

Item No:

Report of: Head of Finance

Title of Report: Progress on Implementation of Audit Recommendations

Summary and Recommendations

Purpose of report: To report progress on the implementation of internal and external audit recommendations.

Policy Framework: Financial Control

Recommendation(s):

The Audit and Governance Committee is asked to note progress with the recommendations as listed in the Appendix.

Appendix A – Internal and External Audit recommendation tracker

Summary

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those which remain outstanding together with updated management responses are provided in Appendix A.

Recommendation tracking

2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

External Audit Recommendations

- 4 There are no recommendations showing as red on the external audit recommendation tracker.
- 5 There are 9 recommendations arising from the audit of the 2010/11 accounts, which will be implemented as part of the 2011/12 close down process. The due date for these is 30th June 2012. The recommendations are showing 0% complete but showing as Green as they have not breached their implementation date.
- 6 There are 4 recommendations that are not 100% complete, these are not passed their agreed implementation dates and two are more than 50% complete. These recommendations are expected to be fully implemented by their due date.
- 7 There are 16 external audit recommendations that are being reported as 100% complete and will be removed from the next report.

Internal Audit recommendations

- 8 There have been two internal audit reports finalised since the last meeting and these recommendations have been added to the tracker, these are:
 - **Housing Benefit – Low Risk Rating** – This report contains two low and one medium rated recommendation. One of these recommendations has been complete the other two have not yet been completed, however work is progressing to ensure that they completed by their expected implementation dates.
 - **Commercial Property – High Risk Rating** – This report contains two high, one medium and two low rated recommendations. Two of these recommendations have been complete, the rest are marked Green as they have not breached their implementation date, and work is progressing to ensure they are complete on time.
- 9 There are 3 recommendations on the internal audit recommendation tracker that are not 100% complete, these have not yet breached their implementation date and progress is being made on each to ensure completion.
- 10 There are 11 internal audit recommendations that are being reported as 100% complete and will be removed from the next report.
- 11 There are no internal audit recommendations that are more than three months over their revised implementation date.

Financial Implications

- 12 Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processes and procedures highlight areas of risk.

Legal Implications

13 There are no legal implications arising from the recommendations in this report.

Equalities Impact

14 There are no Equalities implications arising from the recommendations in this report.

Climate change/environmental Impact

15 There are no Climate Change implications arising from the recommendations in this report.

Name and contact details of author:

Nigel Kennedy

Head of Finance

Telephone: (01865) 252708

nkennedy@oxford.gov.uk

Background papers: None

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Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	Comments
EA008	Equality & Diversity	24-Sep-2009	There is a corporate equality training programme in place and a commitment has been made in the Transformation Service Plan for Human Resources for 2008/9 and 2009/10. This programme will run through 2009/10. Peter Mc Quitty, Melanie Faulkner-Barrett (PPC	High	The Authority should ensure that all staff attend the training on equality and diversity. This could be undertaken by regularly monitoring and reporting on attendance levels of staff to the Equalities Board and reiterating the importance of this training	Mel Magee	Simon Howick	30-Jun-2009		This measure has since been superseded and new scheme is in place including both training sessions and planned e-learning sessions for staff across the organisation.
EA043	Audit Opinion Memo	1-Oct-2011	The TB provided was not detailed enough to agree the ledger to the financial statements	Medium	For next year, provide a version of the TB that has code breakdowns and service analysis which allows it to be agreed to the statements	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA044	Audit Opinion Memo	1-Oct-2011	Some working papers which were out of date and did not agree to the notes in the Accounts e.g. Note 27 segmental analysis.	Medium	Check working papers agree to the notes before handing them to us and are the most recent.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA045	Audit Opinion Memo	1-Oct-2011	The Financial Statement did not disclose 2008/09 comparatives for balance sheet items. These were required.	Medium	Ensure all required disclosures are included in the statements.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA046	Audit Opinion Memo	1-Oct-2011	There were a few cases where the wrong figure from working papers had been used in the Accounts (e.g. Notes 12 and 23).	Medium	Allow enough time to check the figures.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA047	Audit Opinion Memo	1-Oct-2011	The workings for the AP reconciliation showed a £2.5m difference between AP and the general ledger. This was because the AP and ledger reports were produced in different ways. This is the same as last year.	Medium	Find out how to produce the AP report to not show this difference.	Anna Winship	Nigel Kennedy	31-Mar-2012		We have put processes in place at the end of March to ensure that the AP reconciliation is completed accurately and timely
EA048	Audit Opinion Memo	1-Oct-2011	Our testing of the debtors control account found 2 amounts which were unlikely to be recovered. These had a value of £16,935.	Medium	Write off these amounts.	Anna Winship	Nigel Kennedy	31-Mar-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA049	Audit Opinion Memo	1-Oct-2011	Our work on Whole of Government Accounts return found that £5.88m had been disclosed on the wrong line within the CIES.	Medium	Allow enough time next year to check the accounts are accurate	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA051	AGS	30-Sep-2011	The Council should check on the implementation of the recs made in our interim report.	Medium	The Council should check on the implementation of the recs made in our interim report.	Anna Winship	Nigel Kennedy	31-Mar-2012		All recommendation are now upto date and the current year interim report findings have been responded to
EA052	AGS	30-Sep-2011	Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements.	Medium	Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA053	AGS	30-Sep-2011	Provide a narrative explanation for related spreadsheets to make it easier to follow the thought process of the preparer. Sample check supporting information to the disclosures in the he financial statements to ensure that they agree. Provide an explanation	Medium	Provide an explanation for any variance.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process

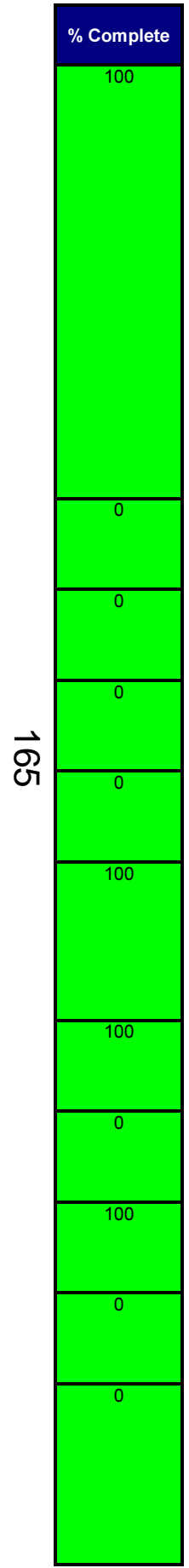
EA054	AGS	30-Sep-2011	Include all bank accounts in the financial statements.	Medium	Include all bank accounts in the financial statements.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA055	AGS	30-Sep-2011	Review cut-off prior to presenting the accounts to audit.	Medium	Review cut-off prior to presenting the accounts to audit.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process
EA071	Certification of Claims and Returns	30-Dec-2011	On testing the uncashed cheques on report hb 9882f, some were duplicated	Medium	Ensure that uncashed cheques contained within report hb9883f are only counted once.	Pauline Hull	Helen Bishop	30-Apr-2012		Agreed to note this recommendation when dealing with this report
EA074	Certification of claims and returns	30-Dec-2011	Property prices held agree to those used to calculate the claim, the council is unable to provide evidence that the prices represent those as at January 1999.	Medium	Review the 24% discount rate for the value of stock used in the Housing Finance base data return	David Watt	Nigel Kennedy	1-Jul-2012		This has been a validation query for several years, it is intended to undertake a review to be completed by June 2012. exploring the options available to the council and to establish the most cost effective way forward to resolve these issues as well as
EA019	Asset Management	27-Apr-2010	A profit centre approach will be established in respect of discrete property portfolios eg City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income.	Medium	A profit centre approach will be established in respect of discrete property portfolios eg City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income.	Richard Hawkes	Steve Sprason	27-Apr-2010	30-Jun-2012	Progress has been made and information is now held and being gathered to identify the expenditure and income, this will be complete as part of the closedown process for 2011/12
EA002	Certification of Claims and Returns	23-Mar-2010	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	Medium	The Council should obtain a record of the laptop allocations and confirm their location	David Oakes	Adrian Orchard	31-Jan-2011	30-Aug-2012	Will be completed as part of the M drive replacement project.
EA067	Certification of Claims and Returns	30-Dec-2011	Some of the reports required to enable testing to be carried out were difficult to obtain, due to lack of technical skills	Medium	Ensure that the necessary IT technical skills are readily available to run Academy reports for subpopulations that need to be tested	Pauline Hull	Helen Bishop	1-Apr-2012		We have a new City ICT team responsible for this area of work. We will work with them to ensure their staffing resources are fully up skilled by next year
EA006	Equality & Diversity	24-Sep-2009	An Action Plan is in place for 2009/10 An Action Plan is currently being developed for 2010/11 Monitoring forms part of Performance Management Framework and is monitored on a monthly basis Steering group established and forms part of Corporate Equality Objectives 2009/10	Medium	Improve the strategic approach to equality and diversity by: establishing a clear action plan to improve the Councils position against the Local Government Equality Standard and the emerging Local Government Equality Framework; monitoring strategic equality and diversity plans regularly; ensuring that the new Corporate Equality scheme is well publicised and available; and ensuring that the Council is compliant with the Commission for Racial Equality's code of housing	Jarlath Brine	Peter McQuitty			An external Peer Review on the 18/19th January 2012 tested the authority against the EFLG "Achieving" level. The outcome was a successful accreditation, with a full report including further recommendations from the Peer Review team mainstreamed into the current action plans contained within the recently approved Corporate Equality Scheme 2012-2015. Corporate/ Service Area equality objectives will be reviewed in February & March 2012 to determine progress against the outlined targets. The Head of P&E will report progress to VAP Scrutiny Committee on March 26th 2012.
EA050	AGS	30-Sep-2011	Better attention to detail and review of supporting working papers	Medium	Better attention to detail and review of supporting working papers is needed to improve the efficiency of the audit by reducing the amount of queries I have had to raise. This would save officer time and reduce the need for additional fees in future.	Anna Winship	Nigel Kennedy	30-Jun-2012		This recommendation will be addressed as part of the 11/12 closedown process

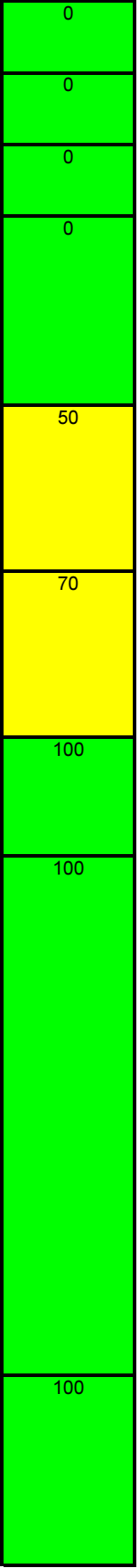
EA065	Certification of Claims and Returns	30-Dec-2011	There were some delays in getting information needed to complete the audit of the Housing Benefit and Council Tax claim	Medium	Ensure that enough resources are available to allow the Council to answer audit questions and queries	Pauline Hull	Helen Bishop	28-Feb-2012		We have agreed for the audit to begin earlier next year, and for the workbooks to be provided promptly by the DA to facilitate this. The relevant staffing resources have got this time scheduled into their diaries
EA066	Certification of Claims and Returns	30-Dec-2011	The adjustments in cell 23 on the claim had not been made prior to processing the claim	Medium	Process all adjustments from cell 23 before producing the Housing Benefit and Council Tax claim	Pauline Hull	Helen Bishop	30-Apr-2012		Agreed to process all adjustments prior to producing the claim
EA068	Certification of Claims and Returns	30-Dec-2011	Testing of rent rebates identified one case where the incorrect amount of WTC & CTC had been used resulting in overpayment of benefit, a further sample of 40 cases were reviewed and a further 2 errors were noted.	Medium	Ensure that officers are aware of the need to apply the correct rates of WTC and CTC	Pauline Hull	Helen Bishop	28-Feb-2012		Project Atlas has removed the need for manual intervention in these cases
EA069	Certification of Claims and Returns	30-Dec-2011	Testing identified errors, which should have been identified by officers	Medium	Ensure that internal checks cover the areas where we have identified errors	Pauline Hull	Helen Bishop	31-Jan-2012		Agreed - work plan will be adjusted to take these into account
EA070	Certification of Claims and Returns	30-Dec-2011	Testing of rent rebate technical overpayments identified 2 overpayments classified as technical rather than claimant error, a further 26 cases were identified where the overpayment was classified mistakenly.	Medium	Ensure that officers are aware of the correct classification of overpayments	Pauline Hull	Helen Bishop	31-Jan-2012		Training update has been provided to all Assessors
EA072	Certification of claims and returns	30-Dec-2011	The housing related claims use a system called Logasnet to enter data for the claim. A number were not completed. The prescriptive guidance says that where the value for a field on the claim is nil, a zero must be entered.	Medium	For claims entered onto Logasnet, check that zeros are entered in any cells with a nil value, before sending the claim.	David Watt	Nigel Kennedy	31-Jan-2012		Agreed, a data review of Housing Subsidy cell entries will be undertaken before certification and submission to external audit
EA073	Certification of claims and returns	30-Dec-2011	The Council carried out a comprehensive survey about 11 years ago, and the results are held by the Council, the entries into the claim have been adjusted each year to reflect stock movements, but individual listings for each entry has not been kept	Medium	Survey the housing stock to support property listings used in the Housing finance base data return	David Watt	Nigel Kennedy	31-Jan-2012		A full reconciliation of the base data information has been completed and will be sufficient to ensure that the information required on the replacement for the Base Data return is complete
EA075	Certification of claims and returns	30-Dec-2011	The base data return was not calculated in accordance with grant instructions	Medium	Ensure that the Housing Finance base data return is calculated next year in accordance with grant instructions	David Watt	Nigel Kennedy	30-Mar-2012		As 2011/12 is the final year of the existing Housing Subsidy regime much of the stock information currently required from Base Data returns will no longer be required.
EA076	Certification of claims and returns	30-Dec-2011	The housing Subsidy return was found not to be calculated in	Medium	Ensure that the Housing Subsidy return is calculated next year in	David Watt	Nigel Kennedy	30-Mar-2012		There will be no Housing Subsidy returns to complete for 2012/13

IA346	Commercial Property	16-Mar-2012	In order to ensure income is maximised, accounts should be set up on Agresso immediately following agreement of a tenancy. The tenancy agreement outlines the date that billing will commence. Where possible, invoices should be raised in advance. The central income team are responsible for setting up accounts and billing tenants following receipt of a change note from corporate assets	High	Income may not be billed on a timely basis, leading to an increased risk that write offs may occur.		Richard Hawkes	31-Mar-2012		Currently there is no formal procedure in place to outline the timescales for communicating change notes and processing invoices. A written procedure note will be put in place to reflect that change forms should be issued and bills raised within a set timescale. In addition a listing of what information should be provided with a change form will be included to avoid processing delays
IA349	Commercial Property	16-Mar-2012	Currently no reconciliation is undertaken between Uniform and the fixed asset register to ensure that a complete listing of commercial properties is maintained. This reconciliation was being performed on regular basis until August 2011 but has ceased following the departure of the capital accountant	High	Income is not maximised and property valuations are not accurately stated in the financial accounts.	Anna Winship	Nigel Kennedy	30-Jun-2012	18-May-2012	The Council has appointed a new Capital Accountant. Going forward the fixed asset register and Uniform will be reconciled on a quarterly basis.
IA333	Commercial Property	16-Mar-2012	All commercial property income is raised on the Agresso (General Ledger) system. There is currently no reconciliation performed between Agressor and Uniform to ensure that all the rented properties are being billed. It is understood that a full reconcile	Medium	Income is not maximised if we are not billing all properties.	Richard Hawkes	Pete Johnson	30-Jun-2012		Both Finance and corporate assets are to review the reconciliation process to ensure that a formal reconciliation between Uniform and Agresso can be performed on a quarterly basis going forwards.
IA100	Trade Waste	1-Jan-2012	There are currently no procedure notes in place for the White Space system or Trade Waste processes.	Medium	Produce procedure notes and ensure kept up to date	Joanne Gardner	Phil Dunsdon	31-Jan-2012	30-Jun-2012	The procedure notes will be completed following Whitespace version 7.5 going live, which is taking place in March 2012 to ensure they are all up to date and relevant to the upgraded software. These should be completed by May 2012.
IA327	Health and safety	1-Mar-2010	Key PIs are not in place for the Health and Safety function. No management information is reported at present. Both documents have been drafted for consideration.	Medium	PIs and management information should be formally agreed and monitored on a regular basis by management. Action plans should be put into place to rectify adverse performance.	Mark Preston	Simon Howick	30-Jun-2010	30-Apr-2012	CMT is now scheduled to receive a report on all Health and Safety issues during April 2012, and these will be reported every 6 months
IA342	ICT	27-Apr-2010	We were informed that no user access reviews have been performed recently, to determine who has access to particular network shared drives and if the access rights granted are appropriate. Similarly no formal reviews have been performed to determine and v	Medium	The user access rights to network shares should be reviewed, to ensure that only authorised City Council staff can access the specific network shares they are entitled to access. Formal reviews covering user access rights within applications in the system	David Oakes	Adrian Orchard	30-Apr-2010	30-Sept-2012	Will be completed as part of the Windows and Office upgrade programme.

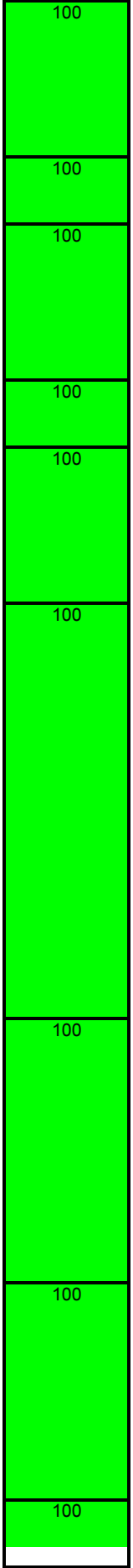
IA172	Homelessness	1-Nov-2011	Management are not aware of the costs of services, increasing the risk that overspends may not be identified and management decisions cannot be made effectively.	Medium	Staffing issues at the start of the year combined with year end close down resulted in a high level review of the Communities and Housing cost centers. Since August 2011 we have appointed a permanent finance business partner to City Regeneration and a per	Martin Westmoreland	Graham Stratford	1-Nov-2011		Reporting is now available via Corvu, and regular meetings with the Finance team
IA347	Housing Rents	1-Jan-2012	Tenancy agreements could not be evidenced as held and signed by both Council and Tenant	Medium	Management team should ensure that Tenancy Agreements are completed, signed and filed for at least 6 years	Anna Winship	Graham Stratford	31-Jan-2012		The council has put in place a procedure to check that all new tenancy agreements are signed by the tenant and officer ahead of processing
IA339	Housing Benefits	19-Mar-12	The time taken to process changes of circumstances has increased from an average of 9.87 days in 10/11 to 12.31 in 11/12 against a target of 10 days. Also the time taken to process new claims has increased from an average of 16.52 days in 10/11 to 17.95 days in 11/12 against a target of 14 days	Medium	Reduce days taken to process changes and new claims	Paul Wilding	Paul Wilding	31-Mar-2012	30-Jun-2012	All overpayments where there are no arrangements in place are to be reviewed before the year end an assess for write off. With regards to the processing times, the time taken to process new claims has increased due to the restructure within customer Services and the time taken to implement initiatives from the DWP. The Council are looking to improve performance from Q1 in 12/13
IA340	Housing Benefits	19-Mar-12	The Council currently performs 30 spot checks a month on claims processed. All results are recorded on standardised checking forms and any errors logged centrally and amended within 5 days. The following issues were noted when reviewing 25 spot checks p	Low	Issues with processing accuracy may not be identified on a timely basis, increasing the risk that subsidy may be reclaimed from the Council		Helen Bishop	31-May-12		The process for the quality spot checks will be reiterated to officers. Additional resource is to be deployed to ensure the quality of Housing Benefits claims.
IA344	Collection Fund	1-Jan-2012	Council tax information may not be accurate and complete resulting in incorrect billing. If reconciliations are not reviewed, errors and omissions may not be identified on a timely basis	Low	The council are aware of the reconciling items and are investigating this with the valuation office. This should be rectified by the 12/13 billing run	Anne Harvey-Lynch	Helen Bishop	31-Mar-2012		The Council are aware of the reconciling items and are investigating this with the valuation office, this will be rectified by the 12/13 billing run
IA345	Commercial Property	16-Mar-12	There are no procedure notes in place to outline the process for agreeing and setting up new tenancies. Whilst there is a process in place, the information requested from tenants differs depending on the nature of the arrangement.	Low	Adequate checks should be performed on tenants before leasing properties.		Richard Hawkes	31-Mar-12		Local procedure notes are in the process of being drawn up to outline all processes within commercial property. The set up process will be covered in these documents.
IA336	Trade Waste	1-Jan-2012	There is no formal timeline for running one off invoices which will be parked until a batch can be processed.	Low	Invoices should be raised regularly	Joanne Gardner	Phil Dunsdon	31-Jan-2012	31-Mar-12	This is now planned as a monthly task, therefore invoices are raised monthly. Action completed.
IA313	Trade Waste	1-Jan-2012	Invoices are raised for accounts within Agresso, 3/25 customers tested had not been invoiced. Revenue may not be recovered.	Low	Ensure invoices are raised and the error on Whitespace is resolved	Joanne Gardner	Phil Dunsdon	31-Jan-2012	31-Mar-12	The upgrade to Whitespace version 7.5 will resolve this whitespace issue and the software will highlight any unpaid invoices. Action completed

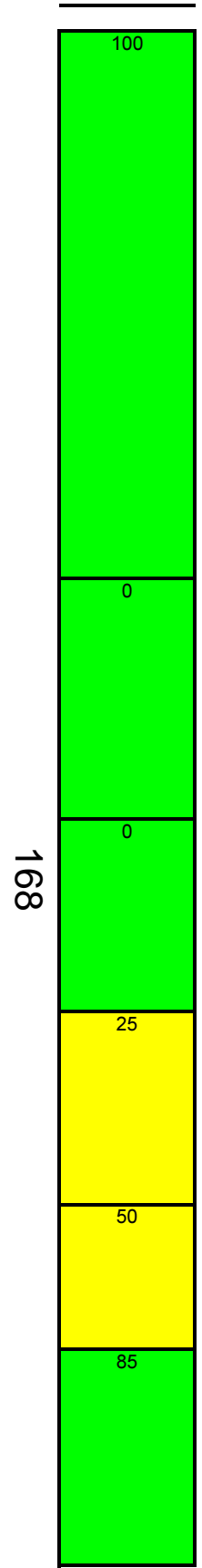
IA339	Trade Waste	1-Jan-2012	A number of unmatched payments were identified on customer accounts.	Low	A cleansing exercise should be performed to identify the correct accounts for all unmatched payments. Going forward, a Trade Waste suspense account should be put in place and all entries reviewed on a monthly basis to ensure that all payments are correctly shown	Joanne Gardner	Pete Johnson	31-Jan-2012	31-Mar-12	A matching exercise has been completed on those identified and this is now done monthly. A suspense account is in place for the Council. Action Completed
IA348	Cash collection	1-Nov-2011	Differences in the interface may not be identified on a timely basis leading to an increased risk that cash may not be posted to customer accounts and balances may be misstated.	Low	The reconciliations were not completed due to staff absence. The backlog has now been cleared and all reconciliations are up to date.	Denise Sheppard	Nigel Kennedy	1-Nov-2011		Post now filled and reconciliations up to date Some small historical items still to be investigated and resolved
IA348	Collection Fund	1-Jan-2012	Errors and omissions in balances may not be identified on a timely basis	Low	There was a delay in some of these reconciliations at the beginning of the year due to a handover of tasks. All systems reconciliations are now completed and reviewed up to date	Anna Winship	Nigel Kennedy	31-Mar-2012		There was a delay in some of these reconciliations at the beginning of the year due to a handover of tasks. All systems reconciliations are now completed and reviewed up to date
IA350	General Ledger	1-Jan-2012	The Council has not completed its review of account and cost codes. Therefore, there may be incorrect or dormant codes on the system which are either being used incorrectly or not identified for management reporting.	Low	A complete review of all account codes has not yet been performed. Open prior year issue.	Anna Winship	Nigel Kennedy	31-Oct-2012		Now complete as part of the Agresso Health check report
IA350	Commercial Property	16-Mar-12	Monthly budget reports are produced for commercial property. No report was produced in August 2011. This was due to resource constraints.	Low	Variances in budget may not be noted and investigated in a timely manner.		David Watt			Budget reports have been produced on a monthly basis since this date.
IA351	General Ledger	1-Jan-2012	The Agresso system currently has over 250 users throughout the Council. Currently no review is performed on the access list to ensure that access rights are up to date and reasonable. In addition, no exception reports are run to identify and review change	Low	The system may be open to misuse. If no monitoring reports are produced, management can have limited comfort over the appropriateness of access and changes to the system.	Anna Winship	Nigel Kennedy	31-Oct-2012		Current users have been reviewed and super users rationalised
IA352	Housing Benefits	19-Mar-12	Housing Benefits calculations are driven by parameters inputted into the Academy system. Updated legislation is provided to the Council by the DWP ahead of the start of the financial year to enable these changes. All significant amendments are reviewed	Low	Corporate knowledge will be lost if officers do not know how to carry out changes to parameters. If changes to parameters are not reviewed, errors may not be identified on a timely basis.		Paul Wilding	31-Mar-12		A procedure note is in place to explain to officers how to change parameters on the system. This will be re-circulated. From 2012/13, housing allowance will be changed annually. It is agreed that the review of all annual changes will be formalised.



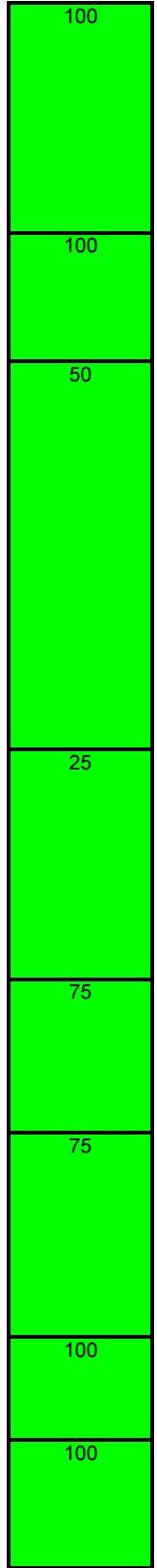


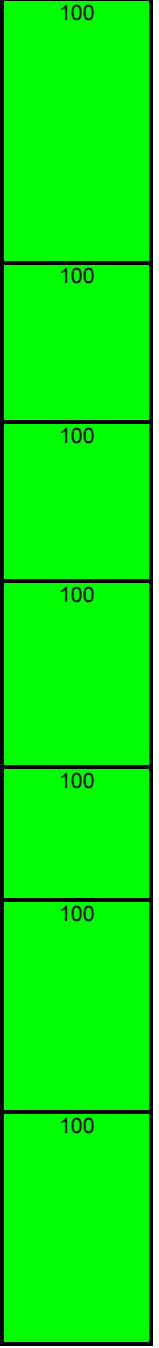
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AUDIT AND GOVERNANCE COMMITTEE

Monday 6 February 2012

COUNCILLORS PRESENT: Councillors Hazell (Chair), Brundin (Vice-Chair), Darke, Mills, Morton, Lygo and Rowley.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Jackie Yates (Corporate Director Finance and Efficiency), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Jeremy Thomas (Head of Law and Governance), Steve Sprason (Head of Corporate Assets) and Richard Hawkes (Corporate Asset Manager)

43. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Bryan Keen (Councillor Mike Rowley attended as a substitute) and Councillor Oscar Van Nooijen (Councillor Mark Lygo attended as a substitute).

44. DECLARATIONS OF INTEREST

None declared.

45. AUDIT COMMISSION PROGRESS REPORT

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 2010/11 audit plan.

Alan Witty from the Audit Commission introduced the report and took the Committee through the key considerations which were outlined in the report.

The Committee agreed:

- (a) To note the report;
- (b) To request that a report be submitted to the next meeting of the Audit and Governance Committee providing details of the checklist for fraud prevention and the areas where improvements could be made.

46. CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT - AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which set out its findings and recommendations for the work undertaken on certifying the grants claims returns.

Alan Witty from the Audit Commission introduced the report and said that the Housing Revenue Account (HRA) would not require certification in the future due to the imminent changes to the financing of housing.

The Committee agreed:

- (a) To note the report;
- (b) To thank Officers for their work on the HRA and Council Tax claims.

47. EXTERNAL AUDIT PLAN 2012/13 - AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which set out the work that it would be undertaking in 2011/12.

Maria Grindley from the Audit Commission introduced the report and took the Committee through the audit risks identified and the responses from the Council to these.

Councillor Brundin with regard to heritage assets said that when the list of assets was completed this would make the management of property assets much easier. Anna Winship added that the list would also contain valuations which would be passed to the Auditors shortly.

Nigel Kennedy with regard to the Housing Revenue Account (HRA) said that plans were in place to mitigate the risks identified with the changes to the HRA. Jackie Yates added that the Department for Communities and Local Government (DCLG) had confirmed that the Council would need to make a one off payment of £198m in March 2012 and that the Council did not intend to borrow more than this figure.

The Committee agreed to note the report.

48. JOINT WORKING PROTOCOL - INTERNAL AND EXTERNAL AUDIT - AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which set out how it and Internal Audit would be working together in 2011/12.

Alan Witty from the Audit Commission introduced the report.

The Committee agreed to note the report.

49. INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC)

which provided an update of the work undertaken as part of the 2011/12 Audit Plan.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and took the Committee through the outturn of the plan and confirmed that they were on target to complete all the work detailed in the plan.

The Committee agreed to note the report.

50. GENERAL LEDGER AUDIT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the 2011/12 report on controls around the Councils General Ledger system.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and said that there were no significant areas of weakness and no high risk areas had been identified, and in response to questions confirmed that where there were target dates for November 2011 these had been met.

The Committee agreed to note the report.

51. CREDITORS AUDIT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance has submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the 2011/12 report on the controls around the purchases and payables.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and said that there were some levels of non-compliance identified, but these were down to different systems being used.

Nigel Kennedy said that further guidance and training had been given to Officers and all of the suppliers had been written to requesting bank details for payments to be made through the BACS system, but also to ensure that the supplier understood that it should receive an order each time from the Council.

The Committee agreed to note the report.

52. COLLECTION FUND AUDIT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which outlines the roles and responsibilities of Internal Audit at the Council.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and said that there had been improvement on previous years, but highlighted the risks on 'age debt' and the recovery of this debt.

Jackie Yates said that she had spoken with Officers concerning the production of a Corporate Debt Management Policy.

Councillor Morton asked if the Council was adjusting its policies to reflect the current economic climate. In response Jackie Yates said that people could apply for Council Tax Benefits and that the Council intended to maintain the current levels of benefit. She further added that they did try to estimate the levels of non-payment of Council Tax and to make provisions for this.

The Committee agreed to note the report.

53. TRADE WASTE AUDIT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the 2011/12 report on controls around the collection of Trade Waste by the city Council.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and said that there had been improvements in the service and that no high risk issues had been identified.

Nigel Kennedy informed the Committee that approximately 200 trade waste customers now paid by direct debit which would improve the debt recovery in this area.

The Committee agreed to note the report.

54. INTERNAL AUDIT CHARTER - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which outlined the roles and responsibilities of Internal Audit at the Council.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and said that no changes to the Charter had been made.

The Committee agreed to note the report.

55. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which detailed the progress made on the implementation of recommendations from previous audits.

Steve Sprason, Head of Asset Management attended the meeting to provide further information on recommendation EA015 from the Asset Management Review. He said that since the recommendation had been made, progress had been made and that the nil entry was incorrect and that the risk was now at an

amber level rating. He said that progress had been made on the recording of expenditure against specific items.

Nigel Kennedy said that income and expenditure from investment property was separately costs coded to produce an overall position for the portfolio. Information on individual assets was held by Corporate Assets in Uniform

Alan Witty said that once the recommendation was completed the Audit Commission could then look at each investment property, but that the basic accounting information had to be correct.

Jackie Yates said that if the Council had an active approach to its investment portfolio it would need to know the detail. The Council did not currently actively look to increase/decrease its investment portfolio, but if it did this information would be needed for each asset.

Councillor Brundin felt that the Council should not move to a system where it looked at the assets on a day to day basis, but should periodically look at the portfolio to ensure that the Council was receiving the best return in the long term.

Councillor Hazell raised the concern that some properties could cost more to maintain than the Council received in income.

David Oakes, from City ICT attended the meeting to provide further information on recommendation IA172 following the Review of ICT. He said he was confident on the security of the network accounts. There was now a robust leavers policy where Payroll produced on a monthly basis a report which detailed the leavers so the County Council could delete those accounts. He added that a bi-monthly manual check was also made to ensure none of the leaver had been missed. This was important as the County Council made a charge per account to the City Council.

With regard to access, David Oakes said that the M Drive was going to be reviewed and a new area on a new facility was going to be created with each Service Area being moved over. He added that when each Service Area was moved, it would have to re-confirm the access privileges required as the existing ones would not be automatically carried over.

The Committee agreed to note the report and to thank Steve Sprason and David Oakes for attending the meeting and providing further updates.

56. RISK MANAGEMENT QUARTERLY REPORTING: QUARTERS 2 AND 3

The Head of Finance submitted a report (previously circulated, now appended) which provided confirmation that risk reporting for quarter 2 and quarter 3 of 2011 had been completed and provided a summary risk profile for Oxford City Council at a corporate and service level as at the end of quarter 3.

Nigel Kennedy, Head of Finance introduced the report and said that the Audit and Governance Committee would receive the Risk Strategy for comment before it was submitted to the City Executive Board.

Councillor Hazell said that more information would be useful on what the key risk were to the authority and these should be submitted to the Committee on a quarterly basis. Councillor Brundin added that this information was required as a matter of course.

The Committee agreed:

- (a) To note the report;
- (b) To request the Head of Finance to submit on a quarterly basis a report detailing the keys risks to the City Council.

57. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 28th November 2011.

58. DATES OF FUTURE MEETINGS

The Committee noted that its next meeting would be at 6.00pm on Monday 16th April 2012 at the Town Hall.

59. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES

The Head of Finance submitted a report (previously circulated, now appended), which detailed recent investigations and outcomes of cases of alleged fraud involving Oxford City Council staff.

The Committee agreed to note the report.

The meeting started at 6.00 pm and ended at 7.30 pm