

AUDIT AND GOVERNANCE COMMITTEE

Thursday 26 September 2013

COUNCILLORS PRESENT: Councillors Fry (Chair), Brett, Darke, Rowley, Rundle and Seamons.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Alan Witty (Ernst & Young), Maria Grindley (Ernst & Young), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Natalie Shaw

14. APOLOGIES FOR ABSENCE

None received.

15. DECLARATIONS OF INTEREST

None declared.

16. EXTERNAL AUDIT - AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2013 - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young which detailed the results of audits for the year ended 31st March 2013.

Maria Grindley from Ernst and Young introduced the report. She commented that it had been a very good audit year with strong supporting papers and good responses from officers. She was very satisfied with how the year had progressed and added that all that was awaited was the signed Statement of Accounts from the Council, which would be dealt with later on the agenda.

The Committee agreed:

- (a) To note the report;
- (b) To welcome the comments from Maria Grindley;
- (c) To congratulate Officers for their work in achieving a successful audit year.

17. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2013

The Head of Finance submitted a report (previously circulated, now appended) the purpose of which was to seek approval and authorisation of the Council's Statement of Accounts.

Nigel Kennedy, Head of Finance introduced the report and said that this had been the fourth year that the accounts had been unqualified which was very pleasing. He added that there had been some minor adjustments concerning for example the audit fee and these amendments had been reflected in the accounts. He further added that these amendments did not alter the overall bottom line.

The Committee agreed:

- (a) To approve the audited 2012/13 Statement of Accounts and to authorise the Head of Finance and the Chair of the Audit and Governance Committee to sign the Statement of Accounts, which they duly did;
- (b) To approve the Letter of Representation (appended to these minutes) to enable the Opinion to be issued and to authorise the Chair of the Audit and Governance Committee to sign the Letter of Representation, which he duly did and passed to the representatives from Ernst and Young, the Council's External Auditors.

18. EXTERNAL AUDIT - LG SECTOR UPDATE - GOVERNMENT AND ECONOMIC NEWS - ERNST AND YOUNG

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young which detailed the Local Government Sector update on Government and Economic News.

Alan Witty from Ernst and Young introduced the report.

Councillor David Rundle asked regarding the Local Audit of Accountability Bill, if a group of local authorities could appoint an auditor. In response Maria Grindley understood that this was possible as it could prove costly for individual authorities to appoint auditors.

Councillor David Rundle regarding the economic outlook asked if this had been factored into the Councils Medium Term Financial Strategy (MTFS). In response Nigel Kennedy said that this was already being considered and the next MTFS would reflect this.

The Committee agreed to note the report.

19. INTERNAL AUDIT PROGRESS REPORT 2013/14 - 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 progress made in delivering the work set out in the 2013/14 Audit Plan.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report. He informed the Committee that the scope of the IT General Controls work had been reduced which was a change to the original Audit Plan 2013/14. However the overall Plan days remained the same.

Regarding the Member Development audit, Christopher Dickens said that an electronic survey had been used with a 30% response rate. From the results, Scrutiny and Challenge was an area where Members particularly felt that more support was needed.

Councillor Tony Brett regarding IT Disaster Recovery noted that there were no timescales in the plan and asked for clarification on this for example how long Service Heads felt it would take to be back to business as usual. In response Christopher Dickens said that in the full report timescales had been included and that he would circulate the original report to Members of the Committee.

Councillor David Rundle asked if the reconciliation issue on car parks was an issue that affected all car parks in the City. In response Nigel Kennedy said that all actions required to resolve the issue, had been taken. Councillor Rundle further added that in Headington, data was collected daily from one car park and not from another. In response Nigel Kennedy agreed to investigate and respond back to all Members of the Committee.

The Committee agreed to note the report.

20. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress made on the implementation of internal and external audit recommendations.

Anna Winship from Finance introduced the report and informed the Committee that no new external audit recommendations had been added.

The Committee agreed to note the report.

21. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1 2013/2014

The Head of Finance submitted a report (previously circulated, now appended) which updated Members on both corporate and service risks as at the end of quarter 1, 30th June 2013.

Nigel Kennedy, Head of Finance introduced the report.

Councillor James Fry asked if further detail on the risks could be included in future reports.

Councillor David Rundle asked what work took place to create the Risk Register. In response Nigel Kennedy said that it was a requirement of the Heads of Service to review their risks on a regular basis. Directors would also review the risks for their Directorates as a whole. The Corporate Risk Register was maintained by the Directors. In response to further questions, Nigel Kennedy said that the Council employed a Risk and Assurance Officer, plus a Risk Management Group had been established which oversaw the risk process.

The Committee agreed to note the report.

22. MINUTES

The Committee agreed to approve the minutes of the meeting held on 27th June 2013.

23. DATES AND TIMES OF MEETINGS

The Committee agreed to note that it would meet in the Town Hall on the following dates at 6.00pm:

Thursday 28th November 2013

Thursday 27th February 2014

Thursday 24th April 2014

The meeting started at 6.00 pm and ended at 6.50 pm

Finance

Direct Line: 01865 252517

Fax:

E-mail: awinship@oxford.gov.uk1st Floor, St Aldates Chambers**St Aldates****Oxford OX1 1DS**

Central Number: 01865 249811

www.oxford.gov

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

26 September 2013

Our ref:

Your ref:

Dear Maria

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Oxford City Council ("the group and Council") for the year ended 31st March 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Oxford City Council as of 31st March 2013 and of its income and expenditure for the year then ended in accordance with, for the Group CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group, the Accounts and audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge, as members of management of the Group and council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.



on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation consolidated and Council financial statements are appropriately described in the consolidated and Council financial statements.
4. As members of management of the Group and council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by 'whistleblowers') which could result in a misstatement of the consolidated or Council financial statements or otherwise affect the financial reporting of the Group and Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and Council financial statements.

D. Information provided and Completeness of Information and Transactions

1. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement
 - b. Additional information that you have requested from us for the purpose of the audit and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.



3. We have made available to you all minutes of the meetings of the Council, and City Executive Board and Audit and Governance Committees held through the year.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We have disclosed to you, and the group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 41 to the consolidated and Council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the proposed transfer of HRA assets to the General fund described in Note 6B to the consolidated and Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - a. We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - b. The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - c. The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - d. No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.



H. Group Audits

1. We have obtained sufficient and appropriate information to be able to consolidate the Barton Oxford LLP with the accounts of the Council.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent, subsidiary undertakings and associated undertakings.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J. Prior period adjustment

1. The Council has completed a review of its lease disclosure notes. As a result of this review there has been a material amendment to the accounts. The main element of the amendment relates to the Council calculating the lease debtor based on current rent rather than inception rent. This meant that at 31st March 2012 the long term debtor was overstated by £4.1 million. The changes are shown in the statements as restatements to the 2011/12 statements and notes.
2. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

K. Use of experts

1. We agree with the findings of the experts engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours faithfully

Nigel Kennedy
Head of Finance – Section 151 Officer

I confirm that this letter has been discussed and agreed at the Audit and Governance Committee on 26th September 2013

Chair of Audit and Governance Committee

