

AUDIT AND GOVERNANCE COMMITTEE

Monday 22 September 2014

COUNCILLORS PRESENT: Councillors Fry (Chair), Fooks (Vice-Chair), Coulter, Darke, Seamons, Thomas and Henwood.

OFFICERS AND OTHERS PRESENT: Christopher Dickens (Pricewaterhousecoopers (PWC)), Nigel Kennedy (Head of Finance), Jeremy Thomas (Head of Law and Governance), Jennifer Thompson (Law and Governance), Scott Warner (Investigations Manager), Anna Winship (Financial Accounting Manager) and Alan Witty (Ernst & Young)

17. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mike Rowley. Councillor David Henwood attended as substitute.

The committee noted apologies from Jacqueline Yates, Executive Director.

18. DECLARATIONS OF INTERESTS

There were no declarations of interest.

19. EXTERNAL AUDIT - AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2014

Ernst and Young as the council's external auditors submitted their audit results report for the year ending 31st March 2014.

Alan Witty and Mick West, from Ernst and Young, stated that they intended to issue an unqualified opinion on the accounts following conclusion of the audit. The audit had uncovered a number of misstatements subsequently corrected by officers although it was noted that these had no effect on the overall financial position of the council. They had also identified a further two misstatements which officers had not corrected.

In response to questions around the uncorrected misstatements within the accounts, Nigel Kennedy, Head of Finance, stated that the provision made in the accounts for business rates appeals was in his opinion sufficient and did not require any notes or additions to the accounts. In respect of an uncorrected presentational misstatement relating to pensions he advised that he saw no merit in further complicating the Statements for changes which made no overall difference to the council's financial position. This position was further explained in the officer's report (minute 20 refers) and the Letter of Representation to be signed by both the Head of Finance and the Chair of Audit and Governance.

The committee noted that resourcing issues which arose during the audit had delayed the audit, and that Nigel Kennedy had made representations to Ernst and Young who had apologised and given assurances that the situation would be improved next time.

The committee agreed:

1. to note the report; and
2. to note the comments from the external auditors and the Head of Finance.

20. STATEMENT OF ACCOUNTS 2013/14

The Head of Finance submitted a report detailing the Council's Statement of Accounts for the year ending 31 March 2014. The letter of representation is appended to these minutes.

The Committee agreed:

1. to approve the audited 2013/14 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; and
2. 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.

The Chairman signed the letter and passed this to the representatives from Ernst and Young, the Council's External Auditors.

21. INTERNAL AUDIT PROGRESS QUARTER 1 2014/15 - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report on behalf of the Council's internal auditors, PWC, setting out progress in delivering the 2014/15 audit plan.

Christopher Dickens, PWC, updated the committee on the audit team and their work. There would be a combined audit of the sports pitch and cash collection because of the overlap of these services. Members suggested there was merit in reviewing the existing contracts with IT suppliers to inform the drafting of future contracts.

The committee agreed to note the report.

22. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report setting out progress on the implementation of internal and external audit recommendations.

Anna Winship, Finance, introduced the report and with Christopher Dickens, PWC, answered questions from the committee. Work on reducing the outstanding high risk (business continuity) was complete. Scott Warner, Investigations Manager, advised that a report on the implementation of the DWP Single Fraud Investigation Service for the investigation of Housing Benefit Fraud would be brought to the next meeting.

The committee noted the work on several aspects of community centre leases, progress in implementing the audit recommendations, and the on-going work to

reduce the risks in leasing the centres and to renew leases or agreements. They asked for a separate report about the regularisation and renewal of community centre leases and agreements at the February meeting.

The committee noted the campaign to stop tenants fraudulently sub-letting of the council's housing stock, and that housing associations were taking part in this.

The committee agreed:

1. to note the report and comments;
2. to note that progress on the recommendations for Asset Management would be submitted to the next meeting; and
3. to ask for a separate report on the regularisation of community centre leases.

23. RISK MANAGEMENT STRATEGY

The Head of Finance submitted a report containing a revised risk management strategy and operating framework for the Council. The City Executive Board will consider the strategy at its meeting on 15th October.

The committee agreed to note the risk management strategy and operating framework, and make no comments to the City Executive Board.

24. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1, 2014/15

The Head of Finance submitted a report outlining the corporate and service risks at the end of Quarter 1, on 30th June 2014.

Anna Winship, Finance, presented the report and said that the high risks shown had been mitigated and the risks reduced. The Scrutiny Finance Panel continued to monitor specific risks to major projects.

The committee agreed to note the report.

25. MINUTES

The committee agreed to approve the minutes of the meeting held on 26th June 2014 as a true and accurate record.

26. DATES AND TIMES OF MEETINGS

The committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 7.30 pm

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Finance

Direct Line: 01865 252708

E-mail: nkennedy@oxford.gov.uk

1st Floor, St Aldates Chambers
St Aldates
Oxford OX1 1DS

Central Number: 01865 249811



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

Our ref: Final accounts 2013-14
Your ref: Letter of rep 2013-14

Date : 22nd September 2014

Dear Mick

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 2014. 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 2014 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 2013/14.

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 2013/14.
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 2013/14 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 2013/14.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. There are two errors where we have not corrected the differences identified by and brought to the attention from the auditor relating to pensions disclosure and business rates appeal, reasons for which are given below.

Pension Disclosure

The change suggested is a technical accounting issue arising from a revision to an accounting standard. The change has no impact on the overall financial position of the Council as the entries are reversed out through accounting adjustments. In officers opinion the change would have added additional complexity to what is already a complicated statement and would have provided no additional benefit to the reader of the accounts. Therefore, it was decided not to adjust.

Business Rates Appeals

You believe that the provision should be further amended to account for 'appeals not yet made but likely to be made based on past experience'. It is our opinion that the existing provision is sufficient, especially since the incidence of successful appeals will be offset to some extent by unsuccessful appeals. However, the position will be monitored going forward.

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 that 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 40 to the consolidated and Council financial statements all guarantees that we have given to third parties.



F. Subsequent Events

1. 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 financial statements include a restatement of the Defined Benefit Pension Scheme note, shown in Note 39, this is to reflect the changes in relation to the international accounting standard IAS19 Employee Benefits changes.
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 the estimation of the provision for NDR appeals 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 22nd September 2014.

Chair of Audit and Governance Committee



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