

Agenda Item 3

Audit Opinion Memo

Oxford City Council

Audit 2010/11

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Introduction

1 We audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Our main objectives are to:

- give an opinion on the Council's financial statements, and
- review whether the Council has put proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

2 We issued an unqualified audit opinion on 30 September 2011. We also issued an unqualified conclusion on your arrangements to secure value for money.

3 The purpose of this report is to record any issues which arose during the audit and recommend action required by the Council.

Main conclusions

4 Improvements have been made since last year's audit. Working papers are better with a few exceptions. For example, it took a long time to agree the accounts to the ledger because we had to ask for more detailed breakdowns and coding information. This meant we took longer on this part of the audit than we planned.

5 Audit queries were answered quickly. Communication between the finance team and us has improved since last year, we had regular update meetings and progress statements.

6 We found several differences between the WGA return and the Accounts and it was time-consuming to reconcile the 2 documents.

7 We have made suggestions for making the Accounts process better next year. These have been split into 2 groups:

- those where the Council needs to do something (Appendix 1)
- those which are useful learning points for next year (Appendix 2)

8 We met with the Director of Finance and Efficiency on 14 October 2011 to discuss how we could make improvements for next year. In particular we discussed:

- the Council providing us with training on its finance systems and for us to have read only access to them. This should reduce the number of queries the finance team have to field and save some time for us;
- the Council using the good practice example we provided for linking the financial statements to supporting notes and working papers;
- the Council looking at simplifying the Trial Balance and how this links between the ledger and the financial statements. This will involve reviewing and updating the Council's coding structure and this would not be a simple or quick task but would allow more automation in the process.

9 Action on these will help to address the issues we have raised and make the final accounts audit more efficient.

Appendix 1 Requiring action by the Council

Recommendations

Recommendation 1

The Trial Balance (TB) did not provide enough detail to agree the ledger to the financial statements. 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

Responsibility	Anna Winship
Priority	High
Date	30 June 2012
Comments	We are working on improvements to Agresso reporting to ensure the TB is taken from the system and linked to all main notes and disclosure notes

Recommendation 2

Some working papers which were out of date and did not agree to the notes in the Accounts. For example Note 27 segmental analysis. Check working papers agree to the notes before handing them to us and are the most recent.

Responsibility	Anna Winship
Priority	High
Date	30 June 2012
Comments	this was due to late changes being made to the Income and Expenditure, with the reporting improvements made as described in Recommendation1 any late changes will be picked up through these reports

Recommendation 3

The Financial Statements did not disclose 2008/09 comparatives for balance sheet items. These were required.

Ensure all required disclosures are included in the statements.

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	The CODE will be reviewed to ensure all disclosure requirements are included within the statements

Recommendation 4

There were a few cases where the wrong figure from working papers had been used in the Accounts (for example Notes 12 and 23).

Allow enough time to check the figures.

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	Additional checks will be brought into the planning process and time allowed for final detailed checks of working papers ensuring all figures match

Recommendation 5

The workings for the Accounts payable (AP) reconciliation showed a £2.5m difference with the general ledger. This is because the AP and ledger reports are produced in different ways. This is the same as last year.

Find out how to produce the AP report to not show this difference

Responsibility	Pete Johnson
Priority	Medium
Date	31 March 2012
Comments	The AP ledger will be closed off on 31/3/11 therefore alleviating this issue of timing differences

Recommendation 6

Our testing of the debtors control account found 2 amounts which were unlikely to be recovered. These had a value of £16,935.

Write off these amounts.

Responsibility	Pete Johnson
Priority	Medium
Date	31 March 2012
Comments	These two accounts will be reviewed and write off will be considered

Recommendation 7

Our work on Whole of Government Accounts (WGA) return found that £5.88m had been disclosed on the wrong line within the Comprehensive Income and Expenditure Statement. Allow enough time next year to check the accounts are accurate

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	Additional checks will be brought into the planning process and time allowed for final detailed checks of working papers ensuring all figures match and are accurate

Appendix 2 Other exceptions raised during the audit

Exception 1

Balance sheet notes did not include the 2008/09 comparatives.

Outcome These were added.

Exception 2

Note 42 did not show Public Works Loan Board in the correct way.

Outcome Corrected

Exception 3

Note 33 Grant income did not include £70 million of housing benefit and council tax subsidy income.

Outcome Corrected

Exception 4

Note 11 was not consistent with note 33 (area based grant income missing)

Outcome Note 11 corrected

Exception 5

Other financing activities within the Cash Flow statement did not include council tax and national non domestic rates amounts of £36k

Outcome The Cash Flow Statement corrected

Exception 6

The wrong figures were used in note 12 for depreciation and impairment losses

Outcome Note corrected

Exception 7

There were some differences between the Explanatory Foreword and the statements

Outcome Explanatory Foreword corrected

Exception 8

The working papers for note 27 did not agree to the note

Outcome Note corrected

Exception 9

The wrong figures used in note 23

Outcome Note corrected

Exception 10

The Revaluation Reserve overstated by £104k and the Capital Adjustment Account understated by the same amount

Outcome Reserves corrected.
