



To: Audit and Governance Committee **Item No:**

Date: 30th June 2011

Report of: Head of Finance

Title of Report: Statement of Accounts for the Year Ending 31st March 2011

Summary and Recommendations

Purpose of report:	To present the Council’s Statement of Accounts for the year ending 31 st March 2011 to the Audit and Governance Committee.
Key decision?	No
Executive lead member:	Councillor Ed Turner
Policy Framework:	Budget
Recommendation(s):	That the Committee note the contents of the Statement of Accounts certified by the Director of Finance and Efficiency prior to their submission to the external auditors

- Appendix A - Statement of Accounts 2010/11 – To follow
- Appendix B - Explanatory Foreword – To follow

Approval of the Statement of Accounts

- 1 The Statement of Accounts for 2010/11 is attached at Appendix B. The Accounts and Audit Regulations 2011 require :
 - That the responsible financial officer of a larger relevant body must, no later than **30th June** immediately following the end of a year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body’s income and expenditure for that year.
 - That the authority must, no later than **30th September** in the year immediately following the end of the year to which the Statement relates—
 - (a) consider either by way of a committee or by the members meeting as a whole the Statement of Accounts;
 - (b) following that consideration, approve the Statement of Accounts by a resolution of that committee or meeting;
 - (c) following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given; and
 - (d) publish (which must include publication on the body’s website), the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.
 - (e) The responsible financial officer must re-certify the presentation of the Statement of Accounts before the relevant body approves it.
2. In addition, the following additional presentational changes have been made to the contents of the Statement of Accounts.
 - The Annual Governance Statement (AGS) was previously included in the Statement. For 2010/11 the Accounting Code of Practice requires the AGS to be included alongside it in the same publication. As such it is not directly covered by the Chief Finance Officer’s certification or the audit report. The objective of the AGS is to recognise, records and publish the Council’s governance arrangements. It identifies the systems the Council has in place to

ensure that business is conducted in accordance with the law and proper standards and that public money is safeguarded. It is shown as a separate report elsewhere on the Committee's agenda.

- The Explanatory Foreword – This statement explains the more significant features of the accounts. It is based on the information contained in the Statement of Accounts fulfilling a similar purpose to a directors' report in company accounts. The Accounting code requires that the foreword is 'to' rather than 'in' the Statement of Accounts. This foreword is shown in Appendix A.

The Closedown process

- 3 The closure process for 2010/11 has been conducted using a detailed timetable agreed with our external auditors. Recommendations from the Audit Commission's report on the 2009/10 accounts have been incorporated.

- 4 The accounts for 2010/11 are presented in accordance with Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

- 5 The Code of Practice is the first to be based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

- 6 Some interim audit work has already been undertaken. The main audit is due to start on 11th July 2011. The auditors expect to issue their audit opinion by the end of September 2011. Any significant audit adjustments will be communicated to the Audit Committee at its meeting on 30th September, 2011.

7 Implications

Legal Issues (Monitoring Officer)

These are adequately covered within the report

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**DRAFT
STATEMENT OF ACCOUNTS
2010/11**

**AUDIT & GOVERNANCE COMMITTEE
30 JUNE 2011**

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INTRODUCTION

INTRODUCTION

Welcome to Oxford City Council's Statement of Accounts for the year ending 31st March 2011.

The Statement of Accounts is a statutory document providing information on the cost of services provided by Oxford City Council to the council tax payer and detailing how those services were financed. In addition, it provides information, within the Balance Sheet on page 13 on the value of our assets (what we own), what we are owed and the value of our liabilities (what we owe). It is in essence, a statement of how well we have managed your money over the last twelve months.

Should you have any comments or wish to discuss this statement in further detail then please contact the Council's Head of Finance Nigel Kennedy on 01865 252708, or email nkennedy@oxford.gov.uk.

I hope you find the statement of interest and may I take the opportunity of thanking you for taking time to read it.

Jacqueline Yates
Director of Finance & Efficiency

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Oxford
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INTRODUCTION

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Efficiency.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and
- approve the Statement of Accounts.

The Director of Finance & Efficiency's Responsibilities

The Director of Finance & Efficiency is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the CODE).

In preparing this Statement of Accounts, the Director of Finance & Efficiency has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent, and
- complied with the local authority CODE.

The Director of Finance & Efficiency has also:

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts as set out on pages 9 to 93 presents a true and fair view of the financial position of Oxford City Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed
Jacqueline Yates
Director of Finance & Efficiency

Date

Signed
Beverly Hazell
Chair of Audit & Governance Committee

Date

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards (IFRS)

The transition from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) has affected the Council's reported financial position, requiring the Council's position at 1st April 2009 and 2009/10 accounts to be restated. The following material differences are worthy of note.

1. Effect on the Balance Sheet as at 1 April 2009 due to the Move to IFRS

- **Leases**

Property assets were reassessed to consider the treatment of leases resulting in the following major adjustment to the Balance Sheet as at 1 April 2009:

- **Council as Lessee**

St Aldate's is an operational property which is leased by the Council. Under the IFRS rules (IAS19) it is required to be shown on the Balance Sheet of the Council, because it is judged to be, in substance, a Council asset. The Land and building value increased by £2.2 million for this asset and the liabilities increased by an equal sum, but will subsequently reduce as repayment takes place.

- **Council as Lessor**

In many cases Council owned property is leased out on long term leases, which under IFRS are considered to represent, in substance, a transfer of risks and rewards. Therefore the Council is required to remove them from tangible assets and state them in the Balance Sheet at the level of deferred income. As a result, the Investment Property assets of the Council reduced by £10.49 million, while debtors increased by £13.47 million.

The new debtor is also shown in the Balance Sheet as a Deferred Capital Receipt of £13.47 million, as the debtor is repaid this balance will be written down and removed. The income is being treated as a capital receipt, but then reversed out to enable the income to be recorded in the General Fund via the Movement in Reserves Statement (MIRS).

- **Reclassification of Investment Property**

Under IFRS5 property can only be considered to be Investment Property where the sole use of the asset is for capital appreciation or financial gain. Where any service provision takes place or where lettings are for some community purpose the property must be recorded as Property Plant and Equipment. This change resulted in £2.48 million of asset value being transferred from Investment Property to Property Plant and Equipment.

- **Classification of Assets held for Sale and Surplus Property**

IFRS requires property that is surplus to requirement and available for sale to be identified as either Assets Held For Sale (AHFS) or Surplus Assets (SA).

To fit the special requirement of AHFS, the asset must have been approved, and planned to be sold within 12 months, and be actively marketed, and there must be a high probability it will be sold. In the event that an asset has been identified for disposal or is surplus to requirements, but does not meet the AHFS requirement it must be regarded as a Surplus Asset.

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

This change resulted in £3.46 million of Surplus Assets and £2.06 million of AHFS being identified.

During this process assets were re-valued and the overall revaluation resulting from implementing IFRS was £3.1 million.

- **Cash and Cash Equivalents**

Another significant change in the Statement occurred due to the classification of cash and overnight investments being brought together in the Balance Sheet and stated as a global figure known as Cash and Cash Equivalents.

- **Grants and Contributions**

Under IFRS it is not possible to defer grant income, and grant income must be assessed to consider whether it has been received in advance. A grant is regarded as being received in advance if a repayment condition exists.

This requirement resulted in the removal of grants from deferred liabilities, and creation of a Capital Grants in Advance account of £5.201 million, and a Grants Unapplied account of £0.334 million.

- **Accumulated Absences and Employment Reserve**

IFRS requires the recognition of any potential liability to pay staff for untaken leave and associated flex leave. The rule also requires costs associated with the termination of employee contracts before retirement age to be recognised immediately. These requirements resulted in the creation of a reserve amounting to £1.63 million.

Although these cost are recognised immediately the impact on the General Fund is mitigated to ensure the costs are met in accordance with proper local government accounting practice.

- **Conclusion: Effect on the Balance Sheet as at 1 April 2009 due to the Move to IFRS**

The sum total of all the IFRS changes resulted in a net increase in reported wealth of £6.578 million increasing the Balance Sheet from £666.81 million to £673.388 million.

2. Effect on the Balance Sheet as at 31 March 2010 due to the Move to IFRS

- **Classification of Assets held for Sale and Surplus Property**

During 2009-10 assets were identified for sale and some were found to be surplus. In addition, assets previously in these categories were sold. As a result there was a reduction in the balance held for AHFS of £0.643 million. Investment properties were reduced by a net £0.586 million and Surplus Assets increased by £1.137 million.

The effect on the revaluation reserve was an increase of £1.074 million.

There was also reclassification of assets from 'Other Land and Buildings' to 'Council Dwellings'.

SELECTION AND APPLICATION OF ACCOUNTING POLICIES

- **Cash and Cash Equivalents**

At the 31 March 2010 £15 million of overnight investments were classified as Cash and Cash Equivalents. This sum was transferred from 'Investment in Current Assets' to the 'Cash and Cash Equivalents'.

- **Accumulated Absences and Employment Reserve**

Additional accruals were recognised as at 31 March 2010 for termination payments and the adjustments for accumulated absences. The extra long term liability amounted to £0.422 million while the employment reserve increased by £0.514 million.

- **Grants and Contributions**

Government grants and contributions received during 2009-10 and entered into the deferred account of £1.001 million were removed in accordance with IFRS rules and placed into the Capital Adjustment Account.

Other grants received of £4.2 million were identified of which £3.9 million were recorded as Capital Grants in Advance.

- **Conclusion: Effect on the Balance Sheet as at 31 March 2010 due to the Move to IFRS**

The sum total of all these IFRS requirements resulted in a net decrease in reported wealth of £0.434 million.

3. Comprehensive Income and Expenditure Statement for 2009-10

IFRS requires major adjustments to the treatment of grants and contributions, employee benefits, investment property income and valuation, leases, and assets held for sale.

The change in accounting treatment and presentation results in restatement of the Income and Expenditure account, and incorporation of the Statement of Total Gains and Losses within the Comprehensive Income and Expenditure Statement. However, the overall effect on the General Fund balance in 2009-10 is £nil. This is because all the changes are allowed to be mitigated through the Movement in Reserves Statement.

The following table sets out in general terms the comparison between the old and new accounting requirements:

Table Comparing the Outcome of IFRS with UK GAAP for Operational Income and Expenditure	UK	
	GAAP 2009-10 £000	IFRS 2009-10 £000
Deficit for 2009-10	17,567	15,612
Other Comprehensive Income and Expenditure		32,753
Adjustment to Proper Practice as per SMGFB/MIRS (Increase)/Decrease in General Fund Balance	(16,365)	(47,163)
	1,202	1,202
Fund Balance b/fwd	(4,342)	(4,342)
General Fund Balance c/fwd	(3,140)	(3,140)

4. Major Changes in the Detail of the Accounting under IFRS 2009-10

- **Investment Property Income**

IFRS requires Investment Property Income to be recorded after the Cost of Services, and this resulted in £5.95 million of income being removed from services and recorded in the general heading of Financing and Investment Income and Expenditure.

- **Investment Property Revaluation**

Revaluation of Investment Property under IFRS is required to be recorded in the Comprehensive Income & Expenditure Statement (CI&ES) under the heading of Financing and Investment Income and Expenditure. The total increase in value for 2009-10 was £6.76 million which has been added to the CI&ES, however, under GAAP £5.55 million was recorded in the Cost of Services and has been removed. The difference had been recorded in the Revaluation Reserve under GAAP.

- **Leases**

Under IFRS Finance Lease income received by the Council as lessor is required to be recorded under the general heading of Financing and Investment Income and Expenditure, rather than in the Cost of Service. This is because the income is regarded as finance income rather than rent. The adjustment was £0.692 million.

- **Grants and Contributions**

IFRS requires all capital grants where no condition exists to be passed through the CI&ES while Grants and Contributions with conditions are not recognised in the CI&ES until the condition has been met. The adjustment to the Cost of Services of removing grants amounted to a net sum of £2.96 million, while Grants and Contributions to be recognised in the heading of Financing and Investment Income and Expenditure amounted to £4.25 million.

- **Assets Held for Sale**

The identification of Assets Held for Sale resulted in changes to the valuation of assets and the calculation of gains and losses on disposal. The revaluation reduced the value by £1.18 million.

- **Conclusion: Comprehensive Income and Expenditure Statement for 2009-10**

The above sets out the major adjustments which have been required to move to IFRS compliant accounts.

Many of the IFRS adjustments are removed through the Movement in Reserves Statement and therefore have no overall effect on Council Tax.

Technically, there would have been a General Fund impact resulting from the change in accounting for Employment Benefits, but this was also allowed to be mitigated. It amounted to £0.514 million in total of which £0.428 million was in the General Fund, and £0.086 million on the Housing Revenue Account.



CORE FINANCIAL STATEMENTS



MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'other reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to/from Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2009	Note 4,342	5,652	2,917	3,515	-	4,867	334	21,628	651,760	673,388
Movement in Reserves during 2009/10										
Surplus/(Deficit) on the Provision of Services	(4,760)	-	(10,852)	-	-	-	-	(15,612)	-	(15,612)
Other Comprehensive Income and Expenditure						(60)	-	(60)	(32,692)	(32,752)
Total Comprehensive Income and Expenditure	(4,760)	-	(10,852)	-	-	(60)	-	(15,672)	(32,692)	(48,364)
Adjustments between Accounting Basis & Funding Basis under Regulations	7 2,901	256	9,924	-	-	3,258	35	16,374	(16,381)	(7)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,859)	256	(928)	-	-	3,198	35	702	(49,073)	(48,371)
Transfers to/from Earmarked Reserves	8 657	(542)	11	(125)	-	-	-	1	-	1
Increase/(Decrease) in 2009/10	(1,202)	(286)	(917)	(125)	-	3,198	35	702	(49,073)	(48,371)
Balance as at 31 March 2010 carried forward	3,140	5,366	2,000	3,390	-	8,065	369	22,330	602,687	625,017
Movement in Reserves during 2010/11										
Surplus/(Deficit) on the Provision of Services	33,389	-	(81,964)	-	-	-	-	(48,576)	-	(48,576)
Other Comprehensive Income and Expenditure								-	50,502	50,502
Total Comprehensive Income and Expenditure	33,389	-	(81,964)	-	-	-	-	(48,576)	50,502	1,927
Adjustments between Accounting Basis & Funding Basis under Regulations	7 (30,617)	-	81,200	-	0	1,587	-	52,171	(52,232)	(61)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,772	-	(764)	-	0	1,587	-	3,596	(1,730)	1,866
Transfers to/from Earmarked Reserves	8 (1,484)	1,484	764	(764)	0	-	-	-	-	-
Increase/(Decrease) in 2010/11	1,288	1,484	0	(764)	0	1,587	-	3,596	(1,730)	1,866
Balance at 31st March 2011 carried forward	4,428	6,850	2,000	2,627	0	9,652	369	25,926	600,957	626,883

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED
31/03/2011**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	2010/11			2009/10		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public		3,772	(1,101)	2,671	3,151	(1,101)	2,050
Cultural, Environmental, Regulatory and Planning Services		24,887	(13,471)	11,416	44,751	(16,393)	28,358
Highways and Transport Services		8,588	(10,097)	(1,509)	9,039	(8,408)	631
Local Authority Housing (HRA)		115,873	(34,850)	81,023	50,627	(39,496)	11,131
Other Housing Services		84,385	(77,728)	6,657	80,167	(73,521)	6,646
Corporate and Democratic Core		4,266	(162)	4,104	4,427	(138)	4,289
Non Distributed Costs		64	(24,308)	(24,244)	4,378	(447)	3,931
Cost of Services				80,117			57,036
Other Operating Expenditure	9			(1,458)			(2,000)
Financing and Investment Income and Expenditure	10			(760)			(6,314)
(Surplus)/Deficit on Discontinued Operations				-			-
Taxation and Non-Specific Grant Income	11			(29,324)			(33,110)
(Surplus)/Deficit on Provision of Services				48,576			15,612
Adjusted Revaluation Reserve				-			1,205
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets				22,460			(5,987)
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				-			-
Other (old balance on Collection Fund, Prior Period Adjustments -PPA)				-			113
Actuarial (Gains)/Losses on Pension Assets and Liabilities				(72,962)			37,422
Other Comprehensive Income and Expenditure				(50,502)			32,753
Total Comprehensive Income and Expenditure				(1,927)			48,365

BALANCE SHEET AS AT 31 MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; as well as reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	2010/11 £000	2009/10 £000	2008/09 £000
Property, Plant & Equipment	12	572,097	668,094	677,101
Investment Properties	13	82,432	78,669	72,493
Intangible Assets	14	462	543	-
Long Term Investments	15	32	32	32
Long Term Debtors	15	21,704	19,137	18,205
Long Term Assets		676,727	766,475	767,831
Short Term Investments	15	11,794	14,335	25,349
Assets Held for Sale	19	7,026	1,419	2,062
Inventories	16	785	676	677
Short Term Debtors	17	16,247	17,396	15,076
Cash and Cash Equivalents	18	12,261	16,092	2,906
Current Assets		48,113	49,918	46,070
Short Term Borrowing	15	(995)	(923)	(2,124)
Short Term Creditors	20	(22,246)	(23,990)	(18,964)
Provisions	21	-	(9)	(123)
Current Liabilities		(23,241)	(24,922)	(21,211)
Long Term Creditors	15	-	-	-
Provisions	21	(6,038)	(2,936)	(1,310)
Long Term Borrowing	15	(3,641)	(5,128)	(5,476)
Other Long Term Liabilities	15	(57,198)	(149,279)	(107,289)
Capital Grants Receipts in Advance	33	(7,840)	(9,112)	(5,227)
Long Term Liabilities		(74,717)	(166,455)	(119,302)
Net Assets		626,883	625,016	673,388
Usable Reserves	MIRS	(25,926)	(22,339)	(21,681)
Unusable Reserves	23	(600,957)	(602,677)	(651,707)
Total Reserves		(626,883)	(625,016)	(673,388)

Statement of Accounts 2010/11

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

The Cash Flow Statement shows the changes in the Cash and Cash Equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Notes	2010/11 £000	2009/10 £000
Net (Surplus)/Deficit on the Provision of Services		48,576	15,612
Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements		(65,388)	(24,395)
Adjustments for Items Included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		-	1,001
Net Cashflows from Operating Activities		(16,813)	(7,781)
Investing Activities	25	19,651	(7,529)
Financing Activities	26	993	2,124
Net (Increase)/Decrease in Cash and Cash Equivalents		3,832	(13,186)
Cash and Cash Equivalents at the Beginning of the Reporting Period		(16,092)	(2,906)
Cash and Cash Equivalents at the End of the Reporting Period	18	(12,261)	(16,092)



NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The Code of Practice requires that departures from recommended accounting policies are fully disclosed, and the reasons for them explained, in local authority accounts.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 City Council to terminate an officer's employment before the normal retirement date. These costs are required to be recognised immediately in the provision of service under the International Financial Reporting Standards (IFRS), accruing for the costs if necessary.

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.11 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.

1.12 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.13 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).

1.14 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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

1.15 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) Best Value Accounting Code of Practice 2010-11 (BVACOP).

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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.16 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

1.17 Private Finance Initiative (PFI) and Similar Contracts

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

1.18 Provisions, Contingent Liabilities and Contingent Assets

Contingent Assets

Contingent Assets are not recognised as assets unless an inflow of economic benefit is probable.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Contingent Liabilities

Contingent Liabilities are not recognised as liabilities; 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.

1.19 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.

1.20 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1.21 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.

1.22 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.

2. Accounting Standards Issued, Not Adopted

The 2010/11 Accounting Code of Practice does not require Local Authorities to comply with Financial Reporting Standard 30, Accounting for Heritage Assets, other than to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not adopted.

Heritage Assets have been recorded in the Balance Sheet as at 31 March 2011 under a number of asset categories including the Community Assets and Property, Plant and Equipment headings.

Heritage Assets include historic buildings, archaeological sites, military and scientific equipment of historic importance, civic regalia, and museum and gallery collections of works of art.

At present the Council has £3.394 million of Heritage Assets held at cost in the category of Community Assets.

The Council also has property which is of historic importance, but is not necessarily held purely for its contribution to knowledge and culture. The Council will assess the property assets as at 1 April 2011 and determine how best to reflect Heritage Assets in the financial statements for 2011-12, at which time a new Accounting Policy will be established and Heritage Assets will be identified as a new class of asset.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority had £4.5 million invested with two of the failed Icelandic banks, of which £3 million was deposited with Heritable Bank and £1.5 million with Glitnir Bank. These investments, together with accrued interest, are overdue repayment. To-date, 56.33% of our original Heritable Bank investments have been repaid. This includes 6.25% paid post Balance Sheet date in April 2011. Current guidance indicates that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the original deposits by the end of 2012. The Authority has not received any repayment of the deposit with Glitnir Bank. The matter is currently being processed through the Icelandic courts.

This issue is being dealt with nationally by the Local Government Association, who consider that prospects for recovery are good. The Authority impaired these deposits in 2009/10 and has used a capitalisation direction to spread the costs in accordance with accounting practice. A prudent approach has been adopted in 2010/11 as a consequence of:

- a) the preferential creditor status being challenged
 - b) the advice of the Council's Treasury Management advisors, Sector.
- Consequently, the Council has not followed the accounting treatment recommended by LAAP Bulletin 82 Update 4 released by CIPFA in May 2011.

A prudent approach dictates that no revaluation of the financial instrument will take place until a final settlement has been determined and received. This will preserve the benefit of a £1.944 million capitalisation directive to the Authority, until a final settlement is agreed and paid.

- The introduction of Componentisation in accordance with International Financial Reporting Standards requires material elements of assets where economic life is materially different to be identified and depreciated separately. The Council's housing stock has been divided into many components, and then those Components grouped into three bands representing:
 - band 1 - structure: 60 years
 - band 2 - kitchens, bathrooms, etc: 30 years
 - band 3 - heating boilers etc: 15 years.

This has significantly affected the level of depreciation increasing the charge for 2010-11 by £0.925 million. Capital spending on assets is added to fixed asset representing components replaced and the old component de-recognised.

General Fund assets have been selected for componentisation only where the asset is significant (in excess of £1 million) and the adjustment in depreciation is expected to result in an increase greater than £10,000. Any asset meeting these criteria will then be componentised prospectively as the asset is programmed for valuation. Capital spending on componentised assets is added to fixed assets representing components replaced and the old component de-recognised.

NOTES TO THE CORE FINANCIAL STATEMENTS

The General Fund componentisation has resulted in an increase in depreciation of £0.4 million.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has introduced a new programme of capital improvement work of £7 million spread over four years, which will be able to sustain assumptions made regarding the useful lives assigned to assets.	If however, the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for asset were to increase by 1% the extra charge would amount to £126,000.
Provisions	The Council has not made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, because only one claims has been received by the Council. The case was resolved and compensation paid. There are no other cases imminent or pending. It is of course difficult to assess any provision on such evidence.	Any cases identified would require provision. Based on the evidence there would be no requirement to make a provision
Provisions	The Council has made a provision for the settlement of rent dispute on Southfield Park. A legal case is taking place. It is of course difficult to assess any provision in such circumstances.	If the current provision were found to be inaccurate by 10% the extra cost or reduced burden would be £134,000.
Provisions	The Council operates a rent deposit scheme which provides the deposit necessary for a eligible resident to occupy private rented accommodation. The deposit is repayable. The certainty of repayment is very difficult to estimate. The Council has made a 86% provision in the sum of £3.31 million.	If the current provision were found to be inaccurate an extra 1% provision would result in the extra cost of £38,000.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £92 million. £73 million was related to actuarial gain and £37 million was due to changes in assumptions.</p>
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Arrears	<p>At 31 March 2011, the Council had a balance of sundry debtors of £20.227 million. A review of significant balances suggested that an impairment of doubtful debts of £3.9 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional 1% or £0.2 million to be set aside as an allowance.</p>
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The bad debt provision has been calculated on the following basis:

General Fund		Collection Fund	
Sundry Debtors		Council Tax & NNDR	
Age of Debt	Provision	Year Debt Raised	Provision
<1 Year	60%	2010/11	0.25%
<2 Years	60%	2009/10	25%
<3 Years	80%	2008/09	50%
<4 Years	100%	2007/08	75%
<5 Years	100%	2006/07	80%
<6 Years	100%	2002/03-2005/06	92%
>6 Years+	100%	2001/02	94%
		2000/01	96%
		1999/00	97%
		prior to 1999	100%

Glitnir and Heritable Banks	<p>The priority status of the Council's investments with Icelandic banks is being contested in Icelandic courts. Currently the investments have been deemed to have priority status, but this is subject to further appeal. A prudent approach has been adopted to retain the protection of a capitalisation directive granted and applied in 2009/10.</p>	<p>If the appeal against priority status is unsuccessful then it is likely that the capitalised loss of approximately £1.9m would be reversed.</p>
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5. Material Items of Income and Expenditure

Past Service Gain

The Government has announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has been accounted for by the Council's Actuarial advisors as a past service gain, and amounts to an exceptional entry of £22.248 million in the Comprehensive Income and Expenditure Statement (CI&E): It is subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications in accordance with proper practice.

Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2010/11 of £72.962 million. This is reported as a gain on the CI&E, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserve Statement to ensure it has no General Fund Balance implications.

Devaluation

The activity to revalue and impair assets is recorded in services where appropriate. The items that could not be recorded in services result in a net devaluation of £22.46 million.

6. Events After the Balance Sheet Date

The Statement of Accounts will be authorised for issue by the Director of Finance & Efficiency on 20 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- on 1 April 2011 Icelandic Courts found in favour of reinstating priority creditor status to local authority depositors with Glitnir Bank. However, this is subject to a further appeal in the Icelandic Courts later in 2011.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets	583	11,818	-	7,940	-	(20,341)
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Movements in the Market Value of Investment Properties	-	-	-	-	-	-
Amortisation of Intangible Assets	-	-	-	-	-	-
Capital Grants and Contributions applied	(3,346)	-	-	-	-	3,346
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue Expenditure funded from Capital under Statute	5,138	64	-	-	-	(5,202)
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,532)	(1,283)	-	-	-	2,815
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of Capital Investment	(232)	-	-	-	-	232
Capital expenditure charged against the General Fund and HRA balances	(1,766)	-	-	-	-	1,766

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2009/10	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(291)	-	-	-	35	256
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,001)	-	-	-	-	1,001
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	5,860	-	-	(5,860)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,948)	-	-	1,948
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals	-	-	(12)	-	-	12
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	642	-	(642)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	(2,600)	-	2,600
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,340)	-	5,340

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year	(852)	-	-	-	-	852
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	12,652	(761)	-	-	-	(11,891)
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,221)	-	-	-	-	6,221
Adjustments primarily involving the Collection Fund Adjustment Account:						
Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year	(125)	-	-	-	-	125
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year	428	86	-	-	-	(514)
Other transfer adjustments	(1,176)					1,176
Total Adjustments	2,901	9,924	3,258	-	35	(16,118)

Statement of Accounts 2010/11

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont.

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of Non-Current Assets	(4,841)	85,794	-	5,423	-	(86,376)
Revenue expenditure funded from Capital under Statute	1,144	191	-	-	-	(1,335)
Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,989)	-	-	-	-	1,989
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(293)	-	-	-	-	293
Capital expenditure charged against the General Fund and HRA balances	(2,867)	(1,397)	-	-	-	4,264
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,963)	(3,567)	-	-	-	5,530

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	3,372	-	-	(3,372)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,497)	-	-	1,497
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	303	-	(303)	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7	-	15	-	-	(21)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-		-	(5,367)	-	5,367

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations – cont

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(15,113)	124	-	-	-	14,989
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,470)	-	-	-	-	4,470
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-	-	-	-	-	(96)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(569)	-	-	-	-	569
Other transfer adjustments	34	55	-	(56)	-	-
Total Adjustments	(30,617)	81,200	1,587	-	-	(52,232)

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
General Fund:							
Icelandic Banking	(350)	92	-	(258)	-	-	(258)
Recession Led Pressures	(300)	-	-	(300)	300	-	-
Cemetery Maintenance	(19)	-	-	(19)	14	-	(5)
Taxi Licencing Reserve	(119)	-	(55)	(174)	-	(22)	(196)
Town Hall Equipment Reserve	(41)	-	(6)	(46)	16	-	(30)
Work Of Art Reserve	(5)	-	-	(5)	-	-	(5)
Shopmobility Reserve	(22)	-	(20)	(41)	-	(8)	(49)
Employee Cost Reserve	(834)	93	-	(741)	821	(792)	(712)
Customer Services Server Replacement	(72)	-	-	(72)	72	(40)	(40)
S&R Oxford Business Contributions	(32)	-	(3)	(35)	-	-	(35)
Performance Reward Grant	(0)	-	-	(0)	-	-	(0)
SALIX Energy Projects Reserve	(100)	105	(275)	(269)	90	(41)	(220)
Non SALIX Energy Projects Reserve	(12)	12	-	(0)	-	-	(0)
IT Infrastructure Reserve	(100)	-	-	(100)	-	-	(100)
Repairs & Maintenance Reserve	(675)	475	(84)	(284)	105	-	(179)
Reserve for Land Charges	(7)	-	(12)	(19)	3	-	(16)
Leisure Repairs & Maintenance	(218)	517	(580)	(280)	-	-	(280)
Business Transformation Projects	(1,465)	1,209	(305)	(562)	561	(1,196)	(1,197)
Invest to Save Projects	(106)	219	(113)	-	-	-	-
City Council Elections Reserve	-	-	(21)	(21)	-	-	(21)
Chief Executive's Award Fund	-	-	(3)	(3)	-	(2)	(5)
Committed Projects Reserve	-	-	(75)	(75)	75	(219)	(219)
CRM Rollout Reserve	-	-	(484)	(484)	184	-	(300)
Grants Reserve	-	-	(256)	(256)	-	(373)	(629)
Direct Revenue Funding of Capital Land at Barton	-	-	-	-	-	(813)	(813)
	-	-	-	-	-	(167)	(167)
Total General Fund	(4,477)	2,722	(2,291)	(4,045)	2,241	(3,673)	(5,477)
HRA:							
Job Evaluation Reserve	(166)	166	-	-	-	-	-
Decent Homes Capital Reserve	(3,125)	-	(55)	(3,181)	1,396	(233)	(2,018)
Corporate Contingency Reserve	-	-	(112)	(112)	112	-	-
Committed Projects Reserve	-	-	-	-	-	(181)	(181)
Direct Services Project Work	-	-	-	-	-	(120)	(120)
IT Equipment Reserve	(318)	126	-	(192)	-	(117)	(309)
Total HRA	(3,609)	292	(168)	(3,484)	1,508	(651)	(2,627)
Capital & Insurance Funds:							
Self Insurance Fund	(1,081)	-	(146)	(1,227)	-	(146)	(1,373)
Investment Income Reserve	(1)	1	-	-	-	-	-
Total Capital and Insurance Funds	(1,082)	1	(146)	(1,227)	-	(146)	(1,373)
Grand Total	(9,168)	3,016	(2,604)	(8,756)	3,749	(4,470)	(9,477)

NOTES TO THE CORE FINANCIAL STATEMENTS

General Fund: Reserve Descriptions

Icelandic Banking Reserve	The Icelandic Banking reserve will be used to fund the capitalisation of the Iceland Banking losses.
Recession Led Pressures Reserve	Created to cover any recessionary pressures impacting the General Fund Budget. These pressures have now been incorporated into base budgets so the provision is no longer required.
Cemetery Maintenance	Created to cover one-off costs associated with cemetery maintenance.
Taxis Licensing Reserve	Created to manage the ring-fenced taxi licensing cost centre. Surplus/(deficits) associated with this cost centre are collected and the balance is used to improve and / or address pressures within the Taxi Licensing area.
Town Hall Equipment Reserve	Used to fund new / replacement or repair of Town Hall equipment.
Work of Art Reserve	Created to aid the purchase or restoration of Council's works of art.
Shopmobility Reserve	Created to fund replacement or repair of Shopmobility equipment.
Employee Cost Reserve	Created to cover employee pressures and severance payments.
Customer Services Server Replacement	Created to fund a replacement of server in Customer Services, expected to complete in 2010-11.
S&R Oxford Business Contributions	Used to fund contributions to Business Partnership Schemes within the Oxford.
Salix Energy Projects Reserve	Created from a grant made available via Salix. The fund is used to loan money to Service Areas within Oxford City Council. Services then utilise these funds to implement energy efficient schemes. Savings on energy costs are then used to repay the initial loan.
Non Salix Energy Projects Reserve	Created to fund energy projects not matched by Salix funding. It is expected that all energy projects will be funded via the Salix reserve in the future.
IT Infrastructure Reserve	Used to fund IT Infrastructure replacement across the Council.
Repairs and Maintenance Reserve	Created via a transfer of capital funding into revenue. This will be used to fund repairs & maintenance at Covered Market & other areas.
Reserve for Land Charges	Collects the surplus/(deficit) associated with Land Charges. Funds are used to improve the services and address pressures associated with the Land Charges area.
Leisure Repairs & Maintenance	Created via a transfer of Capital Funding into Revenue at the end of 2009/10. The reserve will be used to cover substantive repairs in the Leisure Service area.
Business Transformation Projects	A transitory account. At the year end budgets associated with transformation projects not yet completed are transferred to this reserve. At the start of the following year projects are approved to continue and the funds allocated back to the projects.
Invest to Save Projects	This reserve is longer required (balance is zero).
City Council Elections Reserve	Created from the budget surplus/(deficit) on the City Council Elections cost centre. City elections are held every 2 years and this reserve is used to fund additional costs in election year.
Chief Executive's Award Fund	The Chief Executive's Award Fund Reserve was set up at request of Chief Executive to fund future award schemes.
Committed Projects Reserve	Created to cover carry-forward requests from services.
CRM Rollout Reserve	Created to fund the rollout of the Council's Customer Relationship Management (CRM) programme.
Grants Reserve	Created to hold grant monies.
Direct Revenue Funding of Capital Land at Barton	Created to fund future capital programme. This is an HCA grant made available to fund expenses related to the project to build houses on land at Barton.

HRA: Reserve Descriptions

Job Evaluation Reserve	This reserve is no longer required (balance is zero).
Decent Homes Capital Reserve	The Decent Homes Capital reserve is a Housing Revenue Account general reserve used to meet the cost of capital works to properties.
Corporate Contingency Reserve	The Corporate Contingency Reserve was created as a result of a net underspend.
Committed Project Reserve	Created to carry service request for carry-forward of under-spends.
Direct Services Project Work	This reserve was created for future IT work projects.
IT Equipment Reserve	The IT Equipment reserve is used to fund replacement and / or upgrade of the Housing Revenue Account IT systems.

Capital and Insurance Funds: Descriptions

Self Insurance Fund	The Self Insurance Fund Reserve is used to cover claim costs that are below the Council's insurance policy excess limit. The fund will be subject to actuary review in this finance year and will be adjusted in line with any recommendations following this review.
Investment Income Reserve	This reserve is no longer required (balance is zero).

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

	2010/11 £000	2009/10 £000
Parish Council Precepts	197	174
Levies	-	-
Payments to the Housing Capital Receipts Pool	303	641
(Gains)/Losses on the Disposal of Non-Current Assets	(1,958)	(2,815)
Total	(1,458)	(2,000)

10. Financing and Investment Income and Expenditure

	2010/11 £000	2009/10 £000
Interest Payable and Similar Charges	551	570
Pensions Interest Costs and Expected Return on Pensions Assets	3,112	7,514
IFRS adjustments	-	(5,947)
Interest Receivable and Similar Income	(212)	(260)
Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value	(3,762)	(7,377)
Other Investment Income	(449)	(814)
Total	(760)	(6,314)

11. Taxation and Non Specific Grant Income

	2010/11 £000	2009/10 £000
Council Tax Income	(12,555)	(12,198)
Non Domestic Rates	(14,643)	(13,452)
Non-Ringfenced Government Grants	(2,126)	(3,108)
Capital Grants and Contributions	-	(4,352)
Total	(29,324)	(33,110)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment Movements in 2010/11

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2010	563,713	105,307	9,893	207	3,552	4,649	3,300	690,621
Additions	7,686	4,215	2,952	-	129	2	8,511	23,495
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	16,525	3,889	-	-	-	-	-	20,414
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	(213)	1,065	(707)	-	-	-	-	145
Derecognition - Disposals	-	(4)	(299)	-	-	-	-	(303)
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(151)	(4,277)	-	-	-	(2,674)	-	(7,102)
Other movements in cost or valuation	53,639	8,720	-	-	-	225	(4,339)	58,245
At 31 March 2011	641,199	118,915	11,839	207	3,681	2,202	7,472	785,515
Accumulated Depreciation and Impairment								
At 1 April 2010	(7,396)	(10,894)	(4,133)	(49)	-	(54)	-	(22,526)
Depreciation Charge	(5,037)	(4,412)	(1,465)	(15)	-	(72)	-	(11,001)
Depreciation written out to the Revaluation Reserve	327	550	-	-	-	-	-	877
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	7,068	4,453	-	-	-	-	-	11,521
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(39,987)	(116)	-	-	-	-	1,815	(38,288)
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	(140,954)	(5,915)	-	-	-	-	(7,472)	(154,341)
Derecognition - Disposals	-	-	248	-	-	-	-	248
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	94	-	94
At 31 March 2011	(185,979)	(16,334)	(5,350)	(64)	-	(32)	(5,657)	(213,416)
Net Book Value								
At 31 March 2011	455,220	102,580	6,488	143	3,681	2,170	1,815	572,097
At 31 March 2010	556,319	94,391	5,048	158	4,284	4,594	3,300	668,094
Variation	(101,099)	8,189	1,440	(15)	(603)	(2,424)	(1,485)	(95,997)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment cont. Comparative Movements in 2009-10

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2009	566,858	107,024	7,315	207	3,615	3,458	-	688,477
Additions	7,454	1,083	1,875	-	753	11	1,500	12,676
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	156	1,306	-	-	-	(11)	(167)	1,284
Revaluation increases/ (decreases) recognised in the Surplus/(Deficit) on the Provision of Services	11	33	-	-	-	-	(1,192)	(1,148)
Derecognition - Disposals	(275)	-	-	-	(43)	-	-	(318)
Derecognition - Other	(3,271)	(1,250)	-	-	-	-	-	(4,521)
Assets reclassified (to)/from Held for Sale	(162)	(1,087)	-	-	-	-	-	(1,249)
Other movements in cost or valuation	449	-	9	-	-	1,191	3,185	4,834
At 31 March 2010	571,220	107,109	9,199	207	4,325	4,649	3,326	700,035
Accumulated Depreciation and Impairment								
At 1 April 2009	-	(8,583)	(2,760)	(34)	-	-	-	(11,377)
Depreciation Charge	(7,465)	(3,755)	(1,382)	(15)	-	(54)	-	(12,671)
Depreciation written out to the Revaluation Reserve	2	585	-	-	-	-	34	621
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	12	167	-	-	-	-	2	181
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(17)	(7)	-	-	-	-	-	(24)
Impairment losses/(reversals) recognised in the Surplus/(Deficit) on the Provision of Services	(7,490)	(1,896)	-	-	(41)	-	-	(9,427)
Derecognition - Disposals	3	-	-	-	-	-	-	3
Derecognition - Other	38	-	-	-	-	-	-	38
Other movements in depreciation and impairment	13	771	(9)	-	-	-	(62)	713
At 31 March 2010	(14,904)	(12,718)	(4,151)	(49)	(41)	(54)	(26)	(31,943)
Carried at Historical Cost	-	-	6,488	-	3,504	-	-	9,992
Valued at fair value as at:								
31 March 2011	454,918	48,612	-	-	-	219	1,815	505,564
31 March 2010	302	4,739	-	-	55	1,937	-	7,033
31 March 2009	-	15,566	-	-	-	-	-	15,566
31 March 2008	-	12,177	-	51	-	-	-	12,228
31 March 2007	-	20,886	-	-	-	-	-	20,886
31 March 2006	-	-	-	86	-	-	-	86
De-minimis	-	600	-	6	122	14	-	742
Total Cost or Valuation	455,220	102,580	6,488	143	3,681	2,170	1,815	572,097

NOTES TO THE CORE FINANCIAL STATEMENTS

a) Capital Commitments

At 31 March 2011, the Authority had entered into a number of contracts for the construction of or enhancement to Property, Plant and Equipment in 2011/12 and future years, budgeted at £7.066 million. Similar commitments at 31 March 2010 were £6.783 million. The major commitments are:

<u>Description</u>	<u>Contractor</u>	2010/11 £000
Old Fire Station	Kingerlee	1,920
Office for the future	ISIS Ltd	3,087
Playground refurbishment	Ground works	559
New Build Competition pool	Mace	73
Windows	Nationwide	20
S106 Fees	Oxford County Council	224
Construction costs Cardinal House	Leadbitter Group	600
Construction costs Lambourn Road	Lovells	403
Controlled Entry	West Midland Services Ltd	180
Total Capital Commitments		7,066

b) Revaluations

Corporate Assets value Council assets on a rolling programme. Corporate Assets work with external valuers to provide some of the valuations and work on the other aspects of the valuation work internally.

The annual valuations for the financial year 2010-11 were provided as follows:

- External valuation
 - Investment Assets were revalued by Amanda Blythe-Smith MRICS on behalf of Kemp & Kemp
 - Operational Assets were revalued by Rupert Sheppard MRICS & Craig Middleton MRICS on behalf of Cluttons and John Thompson-Ashby & Chris Wallin MRICS on behalf of Countrywide Surveyors Ltd.

- Internal valuation

A number of valuations for reclassification of assets within the year were undertaken internally, together with portfolio valuations for garages and rent to buy etc. Componentisation has been devised and implemented using internal valuers/building professionals etc

The work was undertaken by Martin Lyons MRICS.

The significant assumptions applied in estimating the fair values are:

Existing Use Value (EUV) is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion.

Where insufficient market-based evidence of fair value is available because an asset is specialised and/or rarely sold, the Code permits the use of Depreciated Replacement Cost (DRC).

NOTES TO THE CORE FINANCIAL STATEMENTS

Existing Use Value Social Housing (EUV-SH) is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction. There is presumption of proper marketing and that the parties are acting knowledgeably, prudently and without compulsion.

13. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	2009/10 £000
Rental Income from Investment Property	(5,788)	(5,650)
Direct Operating Expenses arising from Investment Property	299	214
Net (Gain)/Loss	(5,489)	(5,436)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property.

The following table summarises the movement in the fair value of Investment Properties over the year:

	2010/11 £000	2009/10 £000
Balance at Start of Year	78,669	72,492
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	1	73
Disposals	-	(729)
Net (Gains)/Losses from Fair Value Adjustments	78,670	71,836
Transfers:		
To/from Inventories	-	-
To/from Property, Plant and Equipment	-	-
Other changes - Net Revaluation	3,762	6,833
Balance at End of the Year	82,432	78,669

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Intangible Assets

The Authority accounts for its software as an Intangible Asset, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets includes both purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
2 years	none	Data Centre Software
4 years	none	Software Licences
5 years	none	Data Centre Software, Desktop Migration Software
6 years	none	Data Centre Software
7 years	none	Data Centre Software, Data Centres Licences

The Movement on Intangible Assets	2010/11 £000	2009/10 £000
Balance at 1 April 2010		
- Gross Carrying Amounts	543	-
- Accumulated Amortisation	-	-
Net Carrying Amount at Start of Year	543	-
Additions:		
- Internal Development	-	-
- Purchases	17	543
- Acquired through Business Combinations	-	-
Amortisation for the Period	(98)	-
Other Changes	-	-
Balance at 31 March 2011	462	543
Comprising		
Gross Carrying Amounts	560	543
Accumulated Amortisation	(98)	-
	462	543

NOTES TO THE CORE FINANCIAL STATEMENTS

There is one item of capitalised software that is individually material to the financial statements as set out below:

	<u>Carrying Amount</u>		<u>Remaining Amortisation Period</u>
	<u>31 March 2011 £000</u>	<u>31 March 2010 £000</u>	
IBM XIV Storage System	199	249	4 years

15. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Categories of Financial Instruments	<u>Long-term</u>		<u>Current</u>	
	<u>2010/11 £000</u>	<u>2009/10 £000</u>	<u>2010/11 £000</u>	<u>2009/10 £000</u>
Investments				
Loans and Receivables	32	32	24,794	29,335
Total Investments	32	32	24,794	29,335
Debtors				
Loans and Receivables	21,704	19,137	16,247	17,396
Total Debtors	21,704	19,137	16,247	17,396
Borrowings				
Financial Liabilities at Amortised Cost	(3,641)	(5,128)	(995)	(923)
Total Borrowings	(3,641)	(5,128)	(995)	(923)
Other Long Term Liabilities				
Deferred Liabilities	(1,992)	(1,600)	-	-
Finance Lease Liability	(2,006)	(2,057)	-	-
Liability for Defined Benefit Pension Scheme	(53,200)	(145,622)	-	-
Total Other Long Term Liabilities	(57,198)	(149,279)	-	-
Creditors				
Financial Liabilities at Amortised Cost Amounts	-	-	(22,246)	(23,990)
Total Creditors	-	-	(22,246)	(23,990)

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Inventories

	Consumable		Maintenance		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance Outstanding at Start of Year	41	32	635	644	676	676
Purchases	147	9	3,054	2,956	3,201	2,965
Recognised as an Expense in the Year	(142)	-	(2,943)	(2,939)	(3,085)	(2,939)
Written-off Balances	(7)	-	-	(26)	(7)	(26)
Reversals of Write-offs in Previous Years	-	-	-	-	-	-
Balance Outstanding at Year End	39	41	746	635	785	676

17. Debtors

The table below shows the amount that the Council was owed at 31 March 2011 by third parties, together with amounts paid by the Council in advance of receipt of goods or services.

	2010/11 £000	2009/10 £000
Central Government Bodies	4,494	4,314
Other Local Authorities	5,813	6,472
Other Entities and Individuals	5,940	6,610
Total	16,247	17,396

Note: There are no debtors with NHS Bodies or Public Corporations & Trading Funds.

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2010/11 £000	2009/10 £000
Cash Held by the Authority	13,000	15,000
Bank Current Accounts	(739)	1,092
Short-term Deposits with Building Societies	-	-
Total Cash and Cash Equivalents	12,261	16,092

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Assets Held for Sale

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance Outstanding at Start of Year	1,419	2,062	-	-
Assets newly classified as Held for Sale:				
Property, Plant and Equipment	7,000	1,248	-	-
Impairment Losses	(64)	-	-	-
Assets Sold	(1,329)	(1,891)	-	-
Balance Outstanding at Year End	7,026	1,419	-	-

20. Creditors

The table below shows the amount that the Council owed as at 31 March 2011 to third parties, together with amounts received by the Council in advance of supply of goods or services.

	2010/11 £000	2009/10 £000
Central Government Bodies	(1,568)	(1,741)
Other Local Authorities	(7,756)	(662)
Other Entities and Individuals	(12,871)	(21,538)
Total	(22,195)	(23,941)

Note: There are no creditors with NHS Bodies or Public Corporations & Trading Funds. The Creditors figure on the main Balance Sheet also includes £51K for 2010/11 and £49k for 2009/10 for Finance Lease Liabilities outstanding.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Provisions

Provisions for doubtful debts are separately disclosed against debtors on the Balance Sheet.

The total value for Provisions held at 31 March 2011 are:

	Outstanding Legal Cases		Other Provisions		Total £000
	Current	Non Current	Current	Non Current	
	£000	£000	£000	£000	
Balance at 1 April 2008	-	(445)	(101)	(341)	(887)
Additional Provisions made in year	-	(510)	(80)	(41)	(631)
Amounts Used in year	-	-	-	27	27
Unused Amounts reversed in year	-	-	58	-	58
Unwinding of Discounting in year	-	-	-	-	-
Balance at 1 April 2009	-	(955)	(123)	(355)	(1,433)
Additional Provisions made in year	-	(191)	(9)	(1,463)	(1,663)
Amounts Used in year	-	-	43	28	71
Unused Amounts reversed in year	-	-	80	-	80
Unwinding of Discounting in year	-	-	-	-	-
Balance at 1 April 2010	-	(1,146)	(9)	(1,790)	(2,945)
Additional Provisions made in year	-	(191)	-	(2,959)	(3,150)
Amounts Used in year	-	-	9	48	57
Unused Amounts reversed in year	-	-	-	-	-
Unwinding of Discounting in year	-	-	-	-	-
Total Provisions	-	(1,337)	-	(4,701)	(6,038)

Note: there are no injury and damage compensation provision (current or non-current).

Outstanding Legal Cases

A dispute over the rent increase on Southfield Park has been ongoing since the 1 April 2004. On the 26 January 2010 the arbitrator was appointed. The parties are in the process of writing their legal submissions to put to the arbitrator in respect of the correct interpretation of the rent review clause. A legal case has been effectively underway since the appointment of the arbitrator.

22. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement of Reserves Statement and Note 7.

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves

	2010/11 £000	2009/10 £000
Revaluation Reserve	(34,865)	(58,550)
Capital Adjustment Account	(602,987)	(673,894)
Deferred Capital Receipts Reserve	(17,851)	(17,872)
Pensions Reserve	53,200	145,622
Collection Fund Adjustment Account	(29)	(125)
Accumulated Absences Account and Employee Reserve	1,575	2,142
Total Unusable Reserves	(600,957)	(602,677)

a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve

	2010/11 £000	2009/10 £000
Balance at 1 April	(58,550)	(65,676)
Prior year adjustments		1,863
Upward revaluation of assets	(16,700)	(6,375)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	39,160	4,524
Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(36,090)	(65,664)
Difference between fair value depreciation and historical cost depreciation	1,018	616
Accumulated gains on assets sold or scrapped	189	2,225
Amount written off to the Capital Adjustment Account	18	4,273
Balance at 31 March	(34,865)	(58,550)

b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited

NOTES TO THE CORE FINANCIAL STATEMENTS

with the amounts set aside by the Authority to finance the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11		2009/10	
	£000	£000	£000	£000
Capital Adjustment Account				
Balance at 1 April		(673,894)		(678,286)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-		-	
Changes for depreciation and impairment of non-current assets	155,129		15,336	
Revaluation losses on Property, Plant and Equipment	(68,852)		-	
Amortisation of Intangible Assets	99		-	
Revenue expenditure funded from capital under statute	1,335		5,202	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to Comprehensive Income and Expenditure Statement	1,194		3,801	
		88,905		24,339
Adjusting amounts written out of the Revaluation Reserve		(1,047)		(4,920)
Net written out amount of the cost of non-current assets consumed in the year		87,858		19,419
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,497)		(1,948)	
Use of the Major Repairs Reserve to finance new capital expenditure	(5,367)		(5,340)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(5,530)		(5,741)	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(293)		(232)	
Capital expenditure charged against the General Fund and HRA balances	(4,264)		(1,766)	
Movements in the market value of Investment properties debited or credited to the Comprehensive income and Expenditure Statement		(16,951)	-	(15,027)
Balance at 31 March		(602,987)		(673,894)

NOTES TO THE CORE FINANCIAL STATEMENTS

c. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £000	2009/10 £000
Balance at 1 April	(17,872)	(18,162)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	21	290
Balance at 31 March	(17,851)	(17,872)

d. Pension Elements

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service; updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the Pension Fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the resources the Authority has set aside compared to the benefits earned by past and current employees. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £000	2009/10 £000
Balance at 1 April	145,622	102,990
Actuarial gains or losses on pensions assets and liabilities	(72,962)	37,422
Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13,205)	11,431
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,255)	(6,221)
Balance at 31 March	53,200	145,622

NOTES TO THE CORE FINANCIAL STATEMENTS

e. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £000	2009/10 £000
Balance at 1 April	93	(16)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(96)	(109)
Balance at 31 March	189	93

f. Accumulated Absences Account and Employment Reserve Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

The Employment Reserve accounts for the Termination Payments that have been accrued but not paid as at 31st March. These accruals are reversed and therefore mitigated through the Movement in Reserves Statement.

	2010/11 £000	2009/10 £000
Accumulated Absences Account		
Balance at 1 April	2,142	1,628
Settlement or cancellation of accrual made at the end of the preceding year	(1,504)	(1,532)
Additional accrual during the year	937	2,046
Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(567)	514
Balance at 31 March	1,575	2,142

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Operating Activities

	2010/11 £000	2009/10 £000
Operating activities within the Cashflow Statement include the following cashflows relating to Interest		
Cash Interest Received	479	260
Cash Interest Paid	(562)	(570)
Dividends Received	-	-
Total	(83)	(310)

25. Investing Activities

	2010/11 £000	2009/10 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	25,493	16,365
Purchase of short-term and long-term investment	2,541	(9,624)
Other payments for investing activities	-	-
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,372)	(5,859)
Other capital cash receipts in advance	(604)	(556)
Proceeds from short-term and long-term investments	(4,407)	(7,855)
Other receipts from Investing Activities	(4,407)	(7,855)
Total Cash Flows from Investing Activities	19,651	(7,529)

26. Financing Activities

	2010/11 £000	2009/10 £000
Repayment of Long Term Borrowing	923	2,124
Cash receipts of Short and Long-Term Borrowing	72	-
Other receipts from Financing Activities	-	-
Payments for the reduction of a Finance Lease Liability	(2)	-
Payments for the reduction of a PFI Liability	-	-
Total Cash Flows from Financing Activities	993	2,124

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions

The Income and Expenditure of the Authority's principal services recorded in the budget reports for the year is as follows:

Services Income and Expenditure	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total £000
2010/11					
Fees, Charges and Other Service Income	(3,519)	(19,081)	(78,880)	(6,133)	(107,613)
Government Grants	(10)	(1,085)	(70,430)	(3,222)	(74,747)
Total Income	(3,529)	(20,166)	(149,310)	(9,355)	(182,360)
Employee Expenses	3,769	9,718	30,614	(19,397)	24,704
Other Service Expenses	632	13,407	114,060	6,637	134,736
Support Service Recharges	549	4,363	7,191	4,549	16,651
Depreciation, Amortisation and Impairment	37	(5,653)	91,754	248	86,385
Total Expenditure	4,986	21,835	243,619	(7,963)	262,477
Net Expenditure	1,457	1,669	94,309	(17,318)	80,117

Services Income and Expenditure	Chief Executive £000	City Regeneration £000	City Services £000	Finance & Efficiency £000	Total £000
2009/10 Comparative Figures					
Fees, Charges and Other Service Income	(3,651)	(6,033)	(73,443)	(6,706)	(89,833)
Government Grants	(7)	(624)	(58,189)	(958)	(59,778)
Total Income	(3,658)	(6,657)	(131,632)	(7,664)	(149,611)
Employee Expenses	2,626	9,800	27,645	5,297	45,368
Other Service Expenses	416	11,520	102,324	7,001	121,261
Support Service Recharges	593	3,544	29,309	6,572	40,018
Total Expenditure	3,635	24,864	159,278	18,870	206,647
Net Expenditure	(23)	18,207	27,646	11,206	57,036

- **Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of income and expenditure relate to a substantive analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Other Service Income	(107,613)	(3,762)	(111,375)
(Surplus)/deficit on Associates and Joint Ventures	-	-	-
Interest and Investment Income	-	(661)	(661)
Income from Council Tax	-	(12,555)	(12,555)
Government Grants and Contributions	(74,747)	(16,769)	(91,516)
Total Income	(182,360)	(33,747)	(216,107)
Employee Expenses	24,704	-	24,704
Other Service Expenses	134,736	-	134,736
Support Service Recharges	16,651	-	16,651
Depreciation, Amortisation and Impairment	86,386	-	86,386
Interest Payments	-	3,664	3,664
Precepts & Levies	-	197	197
Payments to Housing Capital Receipts Pool	-	303	303
(Gain)/ Loss on Disposal of Fixed Assets	-	(1,958)	(1,958)
Total expenditure	262,477	2,206	264,683
(Surplus)/Deficit on the Provision of Services	80,117	(31,541)	48,576
2009/10	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Other Service Income	(89,833)	(13,324)	(103,157)
(Surplus)/Deficit on Associates and Joint Ventures	-	-	-
Interest and Investment Income	-	(1,074)	(1,074)
Income from Council Tax	-	(12,198)	(12,198)
Government Grants and Contributions	(59,778)	(20,912)	(80,690)
Total Income	(149,611)	(47,508)	(197,119)
Employee Expenses	45,368	-	45,368
Other Service Expenses	121,261	-	121,261
Support Service Recharges	17,161	-	17,161
Depreciation, Amortisation and Impairment	22,857	-	22,857
Interest Payments	-	8,084	8,084
Precepts & Levies	-	174	174
Payments to Housing Capital Receipts Pool	-	641	641
(Gain)/ Loss on Disposal of Fixed Assets	-	(2,815)	(2,815)
Total Expenditure	206,647	6,084	212,731
(Surplus)/Deficit on the Provision of Services	57,036	(41,424)	15,612

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Trading Operations

A number of operations that the Council undertake are technically classified as Trading Operations. Most of these operations provide services on an internal basis to other parts of the Authority. The activities set out below are included in the Net Operating Expenditure.

		2010/11 £000	2009/10 £000
Building Control Charging Account	Turnover	(607)	(551)
	Expenditure	552	564
	(Surplus)/Deficit	(55)	13
Trade Refuse & Recycling	Turnover	(1,771)	(1,928)
	Expenditure	973	1,539
	(Surplus)/Deficit	(798)	(389)
Estates	Turnover	(229)	(503)
	Expenditure	247	462
	(Surplus)/Deficit	18	(41)
Net Surplus on Trading Operations		(835)	(417)

29. Agency Services

The Council carried out certain works on behalf of Oxfordshire County Council during the year for which it was fully reimbursed. This includes routine Highways maintenance.

	2010/11 £000	2009/10 £000
Routine Maintenance	1,273	1,255
Administrative Costs	93	112
Net Surplus Arising on the Agency Arrangement	1,366	1,367

For a number of years, Oxford City Council have exercised their right under Section 42 of the Highways Act to maintain the unclassified roads in Oxford using funding provided by Oxfordshire County Council.

This work covers areas such as pothole maintenance, footpath maintenance, road improvement schemes, carriageway surface dressing, grass verge cutting and road and path side tree maintenance. Also included are winter maintenance, white lining and drainage maintenance.

NOTES TO THE CORE FINANCIAL STATEMENTS

Currently the City Council's in-house service providers carry out the maintenance operation of S42. This work is split into three; Highways engineering, carriageway and pavement maintenance and grass cutting which are undertaken by the Engineering teams and Grounds Maintenance teams respectively. The third area of work is Tree Maintenance, which is carried out by the Leisure & Parks Tree team.

30. Members Allowance

The Authority paid the following amounts to Members of the Council during the year:

	2010/11 £000	2009/10 £000
Members' Allowances		
Allowances	342	343
Expenses	4	2
Total Payments	346	345

31. Officers Remuneration - Senior Employees

The remuneration paid to the Authority's senior employees is as follows:

Name/Title		Salary, Fees and Allowances	Pension Contributions	Total
		£	£	£
Chief Executive	2010/11	140,000	28,280	168,280
	2009/10	141,031	28,488	169,519
Director, City Regeneration	2010/11	109,080	22,034	131,114
	2009/10	109,080	22,034	131,114
Director, City Services	2010/11	107,907	21,797	129,704
	2009/10	109,080	22,034	131,114
Monitoring Officer	2010/11	77,770	15,709	93,479
	2009/10	78,062	15,752	93,814
* Director of Finance and Efficiency Head of Finance	2010/11	90,395	18,223	108,618
	2009/10	77,700	14,281	91,981

*The Council restructured its Senior Management Team, which resulted in the appointment of a Director of Finance and Efficiency in 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Other Employees Receiving more than £50,000	Number of employees 2010/11	Number of employees 2009/10
£50,000 - £54,999	9	11
£55,000 - £59,999	4	3
£60,000 - £64,999	5	5
£65,000 - £69,999	2	1
£70,000 - £74,999	6	4
£75,000 - £79,999	1	0
£80,000 - £84,999	2	2
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
Total Number of Employees	30	26

32. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and other services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
External Audit Statutory Inspection	192	253
Certification of Grant Claims & Returns	91	89
Total	283	342

33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2010/11 £000	2009/10 £000
Grants Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	2,126	3,108
Area Based Grant	150	318
National Non-Domestic Rates	14,641	13,463
Total	16,917	16,889
Grants Credited to Services		
Homelessness Main Grant	521	688
Sports England - Sports Grants	332	459
Carbon Framework Grant	253	-
Homelessness Revenue Grant	170	-
Barton Project Grant	168	-
Growth Fund Grant	116	145
Discretionary Housing Payments Grant	82	71
Co-Location Grant	79	-
Flood Prevention Grant	57	-
Free Swim Grant	44	100
Homelessness Add On Grant	42	-
Local Area Agreement Award Grant- Tourism	42	-
Enhanced Housing Options Grant	38	29
Go Active Grant	36	37
Habitats Climate Change Grant	34	-
Connecting Communities Grant	29	5
Air Quality Grant	21	-
Positive Futures Grant	20	-
Behavioral Change Local Fund Grant	20	-
Landscape and Play Grant	13	-
Recession Impact And Repossession Prevention Grants	11	13
Housing & Planning Delivery Grant	-	630
Waste and Recycling Grants	-	116
Playbuilder Grant	-	77
Blackbird Leys Wellbeing Hub Grant	-	47
Consultancy Support Grant	-	20
Town Twinning Grant	-	13
New Burdens Grant	-	5
Electoral Registration Data Standards Grant	-	4
Procurement Hub Contribution	101	46
Tourism Contribution	67	-
Big Dance Contribution	29	33
SALIX Contribution	-	200
Local Authorities Business Growth Incentive Scheme	-	104
Total	2,325	2,842

NOTES TO THE CORE FINANCIAL STATEMENTS

An amount equivalent to the grant received from the Department for Culture, Media and Sport to support the Free Swimming programme was paid to Fusion Lifestyle, the charity responsible for the management of the Council's Leisure Centres.

Capital Grants Receipts in Advance	2010/11 £000
Additional Funding for Council Tax leaflet	11
Free Swims	45
Barton Adventure Play Park	744
West End Partnership	399
Old Fire Station	2,311
Housing Delivery (NGP) Allocation	683
HCA Growth Fund Grant	734
Healthy Living Initiatives	77
Developer Contributions	2,836
Total	7,840

34. Related Parties

The Authority is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

Members of the Council have direct control over the Council's financial and operating policies. A number of members and senior officers are members of voluntary organisations which receive small grants and funding from the Council. The grants and funding were made with proper consideration of declarations of interest. The Register of Members' Interest is held at the Town Hall, and is open for public inspection. No material interests have been declared. A number of Members serve on both the City Council and Oxfordshire County Council. This is not considered material.

Members represent the Council on various organisations. Appointments are reviewed annually, unless a specific termination date for the term of office applies. None of these appointments places the Members concerned in a position to exert undue influence or control.

The Council has the following relationships, none of which are considered material under the Accounting Code of Practice.

- Central Government – Central Government provides a number of grants to local authorities.
- Housing Associations – The Council is a partner with various Housing Associations for the purpose of providing Social Housing.
- Oxfordshire County Council – The Council undertakes agency work on behalf of the County Council. The County Council administers the Council's local government pension scheme. The Council has a contract with Fusion Lifestyle a social enterprise with charitable status to manage and develop the Council's seven public leisure

NOTES TO THE CORE FINANCIAL STATEMENTS

facilities. In addition, The County Council provides computing services and support with a partnership agreement running from 1st April 2009 for a period of 7 years ending 31st March 2016.

- Local Boards and Trusts – Officers and Members represent the Council on various organisations. There are no material transactions.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure	2010/11	2009/10
	£000	£000
Opening Capital Financing Requirement	14,219	10,553
Capital investment		
Property, Plant and Equipment	23,530	11,479
Investment Properties		83
Intangible Assets	17	543
Revenue Expenditure Funded from Capital under Statute	1,335	5,202
Total Capital Spend	24,882	17,307
Sources of Finance		
Capital Receipts	1,497	1,948
Government Grants and Other Contributions	12,292	9,686
Sums Set Aside from Revenue	2,455	1,607
Prudential Borrowing	-	-
(MRP/loans fund principal)	244	400
Sources of Finance Total	16,488	13,641
Closing Capital Financing Requirement	22,613	14,219
Explanation of Movements in Year		
Increase in Underlying Need to Borrowing (supported by government financial assistance)	-	-
Increase in Underlying Need to Borrowing (unsupported by government financial assistance)	8,394	3,666
Assets Acquired Under Finance Leases	-	-
Assets Acquired Under PFI/PPP Contracts	-	-
Increase/(Decrease) in Capital Financing Requirement	8,394	3,666

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is required to make a minimum provision within its revenue account for debt repayment (MRP). This is calculated as a percentage of its CFR at the start of the financial year. At 1st April 2009 the Council had a negative non-housing CFR and therefore no provision is required in 2009/10. A voluntary revenue provision was made towards the repayment of the debt outstanding with South Oxfordshire District Council.

36. Leases

a) Authority as Lessee

The Council has acquired an administrative building and vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 Mar 2011 £000	31 Mar 2010 £000
Other Land and Buildings	2,041	2,121
Vehicles, Plant, Furniture and Equipment	7	7
Total	2,048	2,128

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

Finance lease liabilities (net present value of minimum lease payments)	31 Mar 2011 £000	31 Mar 2010 £000
- Current	59	56
- Non Current	2,005	2,057
Finance Costs Payable in Future Years	1,114	1,196
Minimum Lease Payments	3,178	3,309

The minimum lease payments are payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2011 £000	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	131	131	51	49
1-5 Years	516	523	224	216
Over 5 Years	2,531	2,655	1,782	1,841
Total	3,178	3,309	2,057	2,106

The Council has operating leases for vehicles. The future minimum lease payments under the non cancellable leases is shown in the table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	5	17
1-5 Years	-	-
Over 5 Years	-	-
Total	5	17

The above Operating Leases are all in the secondary rental period, and therefore no split between capital and interest is required. The above payments are charged to Service Accounts.

b) Authority as Lessor

The Authority has leased out many properties, and an assessment has been undertaken to establish those that are considered to have transferred the risks of ownership to the lessee. The Land Elements are considered to be Operational Leases, but in some cases the Building Element is considered to have transferred risks and rewards and are therefore treated as finance leases.

The following is the long term debtor value of the future lease payments related to the Building Elements. These values have replaced the fixed asset previously held on the Council's Balance Sheet.

	31 Mar 2011 £000	31 Mar 2010 £000
Finance Lease debtor (net present value of minimum lease payments)		
- Current	8	7
- Non Current	13,456	13,464
Unearned Finance Income	-	-
Unguaranteed Residual Value of Property	-	-
Gross Investment in the Lease	13,464	13,471

The gross investment is the long term debtor element related to capital repayment element. The minimum lease payments are the total receivable over the terms of the leases. The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment In The Lease		Minimum Lease Payments	
	31 Mar 2011 £000	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	8	7	8	7
1-5 Years	36	34	36	34
Over 5 Years	13,420	13,430	13,420	13,430
Total	13,464	13,471	13,464	13,471

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council leases out Property and Equipment under Operation Leases. These include shorter term leases, where the risks and rewards are retained by the Council. The future minimum lease payment receivable are stated, as well as the expected estimated continuation of the leases over the remaining lives of the asset:

Operating Leases	31 Mar 2011 £000	31 Mar 2010 £000
Within 12 Months	5,118	5,118
1-5 Years	20,216	20,298
Over 5 Years	88,807	89,465
Total	114,142	114,881

37. Impairment Losses

Impairment losses during 2010-11 are provided in detail in Note 12. This note explains the main reasons for the impairment recognised.

The largest impairment is due to the change in the Existing Value for Social Housing factor for Council Dwellings and this is determined by the Department for Communities and Local Government.

The Existing Value for Social Housing factor reduced from 45% to 32% over the period.

38. 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. These costs are required to be met immediately.

During 2010-11 termination costs amounted to £0.353 million. These costs are charged to the Cost of Services, and can be removed via the Movement in Reserves Statement allowing a burden to fall on the General Fund in line with the minimum required charge. However, the Council have only reduced the General Fund by £0.123 million with the other £0.23 million being provided via a Provision.

39. Defined Benefit Pension Scheme

a) Participation in the Pension Scheme

As part of the terms and conditions of employment of its Officers, the Authority makes contributions towards the costs of Scheme Member Employment Benefits. Although these benefits will not actually be payable until an employee retires, the Authority has a commitment to make the payments at the time that the employee earns their future entitlements.

b) Transactions Relating to Post Employment Benefits

The costs of retirement are recognised and reported in the Cost of Service when they are earned by the employees, rather than when the benefits are paid. However, the charge required to be made to the Council Tax is based on the cash payable in the year, so the real costs of post employment retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	Local Government Pension Scheme	
	2010/11 £000	2009/10 £000
Cost of Services		
Current Service Cost	6,277	3,745
Past Service Costs	(22,702)	-
Settlements and Curtailments	108	632
Financing and Investment Income and Expenditure		
Interest Cost	12,541	13,403
Expected Return on Scheme Assets	(9,429)	(5,889)
Total Post Employment Benefit Charged to the Surplus/(Deficit) on the Provision of Services	(13,205)	11,891
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure statement		
Actuarial (Gains) and Losses	(72,962)	37,422
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(86,167)	49,313
Movement in Reserves Statement		
Reversal of Net Charges made to the Surplus/(Deficit) for the Provision of Services for Post Employment Benefits in accordance with the Code	13,205	(11,891)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions Payable to Scheme	6,255	6,681

The Cumulative amount of actuarial gain recognised in the Comprehensive Income and Expenditure Account at 31 March 2011 is £9.59 million.

c) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actual basis using the projected credit method, an estimate of the pensions that will be payable in future years depending on assumptions about mortality rates, salary levels etc. Both the Local Government Scheme and discretionary benefit liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Council Fund based on the latest valuation of the scheme as at 31 March 2010 is set out below.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Principal Assumptions Used By The Actuary Are:	2010/11	2009/10
Long-term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.40%	7.50%
Bonds	5.50%	5.50%
Average All	6.80%	6.80%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	21.5	23.1
Women	24.1	25
Longevity at 65 for Future Pensioners:		
Men	23.4	25.4
Women	25.9	27.3
Rate of Inflation		
RPI	3.50%	3.90%
CPI	2.70%	n/a
Rate of Increase in Salaries	4.50%	4.90%
Rate of Increase in Pensions	2.70%	3.90%
Rate for Discounting Scheme Liabilities	5.50%	5.50%

Members Assumption

Members will exchange half of their commutable pension for cash at retirement.
Active members will retire one year later than they are first able to without reduction.

Proportion of Assets Held	2010/11 %	2009/10 %
Equity Investments	72	73
Debt Instruments	14	18
Other Assets	14	9
Total	100	100

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

History of Gains and Losses	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between Expected and Actual Return on Assets	0.54	-14.1	-40.4	22.2	1
Actual Gains and Losses on Liabilities	-0.2	-0.3	-0.3	0	17

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Assets and Liabilities in Relation to Past-Employment Benefits

	2010/11 £000	2009/10 £000
Opening Balance 1 April	284,790	203,700
Current Service Cost	6,277	3,745
Interest Cost	12,541	13,403
Contributions by Scheme Participants	1,959	1,915
Actuarial (Gain)/ Loss	(71,430)	68,309
Benefits Paid	(7,458)	(6,454)
Past Service Cost	(22,702)	(460)
Curtailments	108	632
Closing Balance 31 March	204,085	284,790

Reconciliation of Fair Value of the Schemes Assets

	2010/11 £000	2009/10 £000
Opening Balance 1 April	139,168	100,710
Expected Rate of Return	9,429	5,889
Actuarial (Gain)/Loss	1,532	30,887
Employers Contributions	6,709	6,681
Contributions by Scheme Participants	1,959	1,915
Benefit Paid	(7,912)	(6,914)
Settlements	-	-
Closing Balance 31 March	150,885	139,168

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investment are based on gross redemption yields as at the Balance Sheet Date. Expected returns on equity investments reflect long term rates of return experienced in respective markets.

The actual return on scheme assets for the year was £11.64 million (2009/10: £36.775 million).

In the budget statement on 22 June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Oxford City Council's Pension liabilities by £22.248 million and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund (or Housing Revenue Account).

NOTES TO THE CORE FINANCIAL STATEMENTS

e) Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present Value of Liabilities					
Local Government Scheme	200,630	190,200	203,700	284,790	204,085
Fair Value of Assets in the Local Government Pension Scheme	135,680	129,850	100,710	139,168	150,885
Surplus/(Deficit) in the Scheme	<u>(64,950)</u>	<u>(60,350)</u>	<u>(102,990)</u>	<u>(145,622)</u>	<u>(53,200)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £204.085 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet resulting in a negative overall balance of £53.2 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining working life of the employees (i.e. before payment falls due), as assessed by the Actuary.

Finance only needs to be raised to cover discretionary benefits when the pension is actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £5.882 million.

40. Contingent Liabilities

a) Municipal Mutual Insurance

Under Oxford City Council's agreement with its previous insurer Municipal Mutual Insurance (MMI) the Council is exposed to the possibility of having to repay all or part of claims already settled by MMI. This will only apply if MMI cannot achieve a solvent run off of its liabilities. At 31 March 2011 the maximum repayment stood at £0.527 million. However, MMI are still receiving claims and this figure may be more however, there is no further information available at this point.

MMI's accounts for the year ended 30 June 2009 include the statement that "The Directors foresaw a solvent run off". Based on the management accounts for the 30 September 2010 the Directors reported that the run off projection did not show a break-even projection and the company's solvency position was dependant on a successful result to litigation. However, there are many uncertainties surrounding numbers of future claims, inflation rates and future investment returns. The projection of income and expenditure over 40 years is a highly subjective exercise and the situation is very volatile.

On this basis no provision for repayment has been made. The situation will continue to be reviewed, and if the outlook changes, a provision for losses will be considered.

b) Recovery of Search Fees

With the introduction of the Home Information Pack new activity arose with the Property Search Companies providing a service to home owners offering to gather all information needed when a property was first put on the market for sale. These companies were entitled to a more limited range of land charge information for a nationally set, personal search fee of £22. About two years ago the Property Search Companies started to claim that the personal search fee should be free of charge because it fell within Freedom of Information Act and/or Environmental Information Regulations, which commenced in 2005. For the period commencing 2005 a group action has been issued on behalf of about 36 property search companies, which includes a sum sought from the Council of £645. The Council is yet to be provided with evidence that the company on whose behalf the money is sought has ever made a payment to Oxford City Council in respect of personal search fees. It is possible that other claims to recover sums paid to the City Council could be made, but this is extremely uncertain, and the amounts that could be recovered cannot be reliably estimated, but the absolute maximum would be in the order of £11,000.

It is very unlikely that such costs will be incurred since it will be difficult for these claimants to prove that they have not been unjustly enriched.

c) Staffing Reductions

The Council's Budget and Medium Term Financial Plan approved by the Council in February 2011 made provision for the reduction of approximately 100 posts over the next four years, starting in 2011-12. Not all the posts have been identified and therefore it is difficult to identify the costs that could be involved in terminating the contracts of employment. It is, however, probable that some of those affected will be entitled to a termination payment which would be a resource drain on the Council.

The Council has an earmarked reserve for Severance and HR costs in connection with these expenses which at 31 March 2011 totalled around £1 million.

d) Compulsory Purchase Acts 2004

On 21st April 2011 proceedings were issued under the Planning and Compulsory Purchase Act 2004, against the Council and the Secretary of State for Communities and Local Government in regard to the Council's adoption of its Core Strategy. In the event that the claim is upheld the Council would be required to reconsider the effected element of its Core Strategy. The cost of this exercise at this point is unknown.

41. Contingent Assets

a) VAT

Following a VAT Tribunal case (Fleming t/a Bodycraft) challenging the restriction that prevents the correction of VAT errors more than three years old, HM Revenue and Customs announced a 'transitional period' of twelve months, ending 31 March 2009, during which time VAT registered organisations were able to make claims for VAT overpaid from 1 April 1973 to December 1996. The Council worked with its advisors to identify opportunities to submit claims in respect of activities where the VAT liability had changed (either through HMRC review or litigation) but the Council had been prevented from making earlier claims due to the three year rule. As a result of this exercise, claims, mainly in relation to EU rulings involving sporting activity exemptions, were submitted on the Council's behalf. In March 2011 the Council received an amount of £0.482 million (£0.813 million including simple interest and net of costs) which has been transferred to earmarked reserves.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has requested that all claims are paid including compound interest and have filed a claim against HMRC through an Appeal Tribunal with its advisors KPMG to this effect.

b) Land At Barton

The Council has conducted a bespoke competition for the selection of a co-investment partner to enter into a Joint Venture to develop the land and facilitate the construction of infrastructure and housing at West Barton. At its meeting on the 25 May 2011 the Council approved a recommendation to accept a bid from Grosvenor Developments Limited as preferred partner and gave delegated authority for the Executive Director Regeneration and Housing to enter into a limited liability joint venture partnership (LLP) with Grosvenor. Upon signing of the agreement, which is expected in July 2011, the Council will transfer its freehold interest in the land at Barton to the JV estimated at a value of £0.9 million. In addition, upon completion of the deal the JV will pay to the Council a contribution of its fees to-date of £0.5 million.

c) Icelandic Bank

A capitalised loss of approximately £1.944 million in respect of investments with Glitnir Bank and Heritable Bank could be reversed, subject to a favourable resolution in the Icelandic courts and receipt of final settlement.

42. Nature and Extent of Risks Arising from Financial Instruments

The Council's overall risk management programme focuses on minimising the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing risk and market risk.

a) Credit Risk

Credit risk arises from short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the Council's policy to place funds only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's Treasury Advisers and to restrict lending to a prudent maximum amount for each financial institution. The Council also maintains a formal counterparty policy in respect of those financial institutions and other bodies from which it may borrow, or with whom it may enter into other financing arrangements.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4.5 million invested in this sector at that time. The Council has received approval to capitalise some of the expected losses to the value of £1.944 million, which it did in 2009/10.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

b) Liquidity Risk

The Council has ready access to borrowing from the Public Works Loan Board. As a result, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to mitigate the impact of re-borrowing at a time of unfavourable interest rates. The Council has specific percentage limits for debt maturing in different periods to ensure an excessive

NOTES TO THE CORE FINANCIAL STATEMENTS

amount of loans do not fall due for repayment at the same time. This ensures prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

c) Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at disadvantageous rates.

The approved prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is a key factor limiting this risk, as is a medium term financial policy on reducing the Council's reliance on interest earnings to fund its core activities.

The Council approved Treasury and Investment Strategies addresses the main risks and the Council's treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt or ensuring sufficient funds to make repayments on due dates; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments providing stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Analysis of Loans by Maturity	2010/11 £000	2009/10 £000
Between 1 and 2 years	739	742
Between 2 and 5 years	3,638	2,743
Between 5 and 10 years	-	895
Total	4,377	4,380

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the fair value is assumed to be equal to the carrying amount.

The analysis of financial liabilities is included in the table below. The amortised cost is an accumulation of the principal and accrued interest. The fair value is as per the notification received from the Public Works Loan Board (PWLB). The fair value of the liabilities is higher than the amortised cost due to the premiums that would become payable if the loans were to be repaid. All of the debt relates to the HRA. Currently the Council do not intend to reschedule or repay this debt, therefore have included it at amortised cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Analysis of Financial Liabilities

The analysis of Financial Assets is shown in the table below. The amortised cost is an accumulation of the principal and the accrued interest. All investments are at a fixed rate and for a fixed term therefore the accrued interest is based on the agreed rates at the inception date of the investment, and therefore a fair value has not been used as a comparator.

	2010/11 £000	2009/10 £000
Short Term Borrowing - Public Works Loan Board	739	680
Short Term Borrowing - South Oxfordshire District Council	256	243
Long Term Borrowing - Public Works Loan Board	3,638	4,376
Deferred Liability - South Oxfordshire District Council	1,158	1,427
Local Bonds	4	4
	5,795	6,730
Interest	-	86
Amortised Cost	5,795	6,816
Fair Value	5,600	6,699

e) Analysis of Financial Assets

	2010/11 £000	2009/10 £000
Short Term Investments	24,794	29,173
Long Term Investments	32	32
Cash	(995)	1,335
	23,832	30,540
Interest	-	337
Amortised Cost	23,832	30,877

All trade and other payables are due to be paid in less than one year. Trade debtors of £15.736 million are not shown in the table above.

f) Market Risk

Interest rate risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the borrowing liability will fall

NOTES TO THE CORE FINANCIAL STATEMENTS

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments as fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the movement in reserves, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury options, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council's treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately, for instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The Council does not have any variable rate borrowings or investments, therefore the impact of a 1% increase or decrease in interest rates would have a nil financial impact.

Price Risk – The Council, excluding the Pension Fund, does not generally invest in instruments with this type of risk.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies, although the Council's Icelandic bank losses may be subject to foreign exchange rate risk, as there is a potential that some of the deposits may be repaid in either Icelandic Krona, Euros or a combination of both.

g) Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long Term		Short Term	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Financial Liabilities (principal amount)	4,799	5,807	994	923
Plus Accounting Adjustments	-	74	-	12
Financial Liabilities at Amortised Cost	4,799	5,881	994	935
Financial Liabilities at Fair Value through the I&E	5,600	6,699	-	-
Total Borrowings	10,399	12,580	994	935
Loans and Receivables (principal amount)	-	-	24,794	29,173
Accounting Adjustments	-	-	-	337
Loans and Receivables at Amortised Cost	-	-	24,794	29,510
Total Investments	-	-	24,794	29,510

h) Financial Instruments Gains and Losses

There are no gains or losses recognised in the Consolidated Income and Expenditure Statement in relation to financial instruments in this financial year.

i) Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities carried at Amortised Cost	2010/11		2009/10	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
PWLB Debt	4,376	5,600	5,056	6,699
Non - PWLB Debt	1,417	1,417	1,674	1,674
Total Debt	5,793	7,017	6,730	8,373
Trade Creditors	12,871	12,871	15,402	15,244
Total Financial Liabilities	18,664	19,888	22,132	23,617
Money Market Loans < 1year	24,794	24,794	29,173	29,510
Money Market Loans > 1year	-	-	-	-
Bonds	-	-	-	-
Long Term Debtors	21,704	21,704	5,665	5,665
Trade Debtors	5,941	5,941	12,202	12,202
Total Loans and Receivables	52,439	52,439	47,040	47,377



SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

H1.1 Housing Revenue Account Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Expenditure		
Repairs & Maintenance	5,918	10,307
Supervision & Management	6,190	6,460
Rents, Rates, Taxes & Other Charges	322	330
Negative HRA Subsidy Payable	11,833	10,984
Depreciation and Impairment of Non-Current Assets	91,217	17,157
Debt management costs	-	-
Movement in the Allowance for Bad Debts (not specified by the Code)	146	(16)
Total Expenditure	115,626	45,222
Income		
Dwelling Rents (Gross)	(31,406)	(30,759)
Non Dwelling Rents (Gross)	(1,457)	(1,402)
Charges for Services & Facilities	(1,759)	(1,752)
Total Income	(34,622)	(33,913)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	81,005	11,310
HRA Services' share of Corporate and Democratic Core	274	317
Trading Account	18	(40)
Net Income for HRA Services	81,297	11,587
HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(Gain)/Loss on Sale of HRA Fixed Assets	-	(1,420)
Interest Payable and Similar Charges	710	744
Interest and Investment Income	(43)	(59)
Pensions Interest Cost and Expected Return on Pension Assets	-	-
Capital Grants and Contributions Receivable	-	-
(Surplus)/Deficit for the year on HRA Services	81,964	10,852

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

H1.2 Movement on the Housing Revenue Account Statement

The HRA Income and Expenditure Account show the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being that:

- the difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year,
- the gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

MOVEMENT ON THE HRA STATEMENT

	2010/11 £000	2009/10 £000
Balance on the HRA at the end of the Previous Year	(2,000)	(2,917)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	81,964	10,852
Adjustments between Accounting Basis and Funding Basis Under Statute	(81,200)	(9,924)
Net Increase/(Decrease) before Transfers to or from Reserves	(1,236)	928
Transfer to and from Reserves	(764)	(11)
Increase/(Decrease) in Year on the HRA	-	917
Balance on the HRA at the end of the Current Year	(2,000)	(2,000)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.1 Housing Stock Numbers

	2010/11	2009/10
Houses		
1 bedroom	278	278
2 bedrooms	848	839
3 bedrooms	2,916	2,913
more than 3 bedrooms	275	274
Flats		
1 bedroom	1,612	1,557
2 bedrooms	1,761	1,753
3 bedrooms	153	153
more than 3 bedrooms	4	4
Non Dwelling Properties		
Hostels	8	8
Overall Total	7,855	7,779

Summary of Changes in Stock	2010/11	2009/10
Stock at 1 April 2010	7,779	7,905
Adjustment Prior Year	(1)	0
Less Sales	(4)	(21)
Other Disposals	(12)	(106)
Additions	93	1
Stock at 31 March 2011	7,855	7,779

Garages and Parking Spaces	2010/11	2009/10
Garages In Block	2,280	2,283
Garages Within Curtilage	275	275
Parking Spaces	50	50
Overall Total	2,605	2,608

Summary of Changes in Garages & Parking Spaces	2010/11	2009/10
Stock at 1 April 2010	2,608	2,629
Overstated Demolished from Prior Year	-	-
Demolished/ Disposed	(3)	-
Non Residential Parking Included in Prior Year	-	(19)
Garages within Curtilage Overstated Prior Year	-	(2)
Stock at 31 March 2011	2,605	2,608

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.2 Movement on the Major Repairs Reserve

	2010/11 £000	2009/10 £000
Opening Balance	-	-
Transfer from Capital Financing Reserve	(5,423)	(7,940)
Excess of Depreciation on Dwellings over Major Repairs Allowance	55	2,600
Financing of Capital Expenditure (MRA Applied)	5,368	5,340
Closing Balance	-	-

H2.3 Capital Expenditure and Financing

	2010/11 £000	2009/10 £000
Buildings	14,930	9,024
Other Assets	-	-
Deferred Charges	-	-
Total Spend	14,930	9,024
Sources of Finance		
Supported Borrowing	546	546
Government Grants & Other Contributions	3,566	-
Prudential Borrowing	4,054	-
Major Repairs Allowance	5,367	5,340
Decent Homes Reserve	1,397	-
Capital Receipts	-	3,138
Revenue Contributions	-	-
Total Financing	14,930	9,024

H2.4 Capital Receipts

	2010/11 £000	2009/10 £000
Buildings	(404)	(2,049)
Less Administrative Costs	-	12
Total	(404)	(2,037)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.5 Housing Subsidy

Housing Revenue Account Subsidy represents the net amount paid by the Authority to Central Government in respect of the surplus on the notional HRA.

Summary of HRA Subsidy Claim 2010/11

	2010/11 £000	2009/10 £000
Management and Maintenance	14,175	13,732
Major Repairs Allowance	5,367	5,340
Charges for Capital	1,053	1,406
Less		
Interest on Receipts	(9)	(11)
Guideline Rent Income	(32,395)	(31,490)
Rent Constraint Allowance	-	-
Housing Subsidy Payable	(11,809)	(11,023)
Adjustment to Subsidy for Prior Year	(24)	-
Total	(11,833)	(11,023)

H2.6 Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute relates to capital expenditure which does not necessarily result in an asset. In 2010/11 these charges equated to £0.191 million, in 2009/10 there were no such charges.

H2.7 Interest Received

The Housing Revenue Account is credited with interest on cash balances and interest on loans granted to enable tenants to purchase council dwellings.

	2010/11 £000	2009/10 £000
Interest on Cash Balances	34	49
Interest on Loans to Individuals	9	10
Total	43	59

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.8 Financial Reporting Standard (IAS) 19 – Pensions

Included within the Net Cost of Service is the HRA share of contributions from the Pension Reserve. The pension contributions have been calculated in accordance with IAS 19. An adjustment is made within the adjustments between accounting basis and funding basis under statute, so that there is no effect on the HRA surplus for the year.

H2.9 Rent Arrears (HRA only)

	2010/11		2009/10	
	£000	%	£000	%
Arrears Details				
Current Tenants	611	1.86	831	2.56
Past Tenants	92	0.28	109	0.34
Overall	703	2.14	940	2.90
Total Rents due in Year	32,797		32,535	

	2010/11	2009/10
	£000	£000
Doubtful Debt provision		
Opening Balance	307	392
Prior Year Adjustment	-	2
Write-offs in Year	(154)	(169)
Additional Provision	74	82
Closing Balance	227	307

In light of the current economic climate the doubtful debt provision was reviewed. However, as the rents team have further improved their collection rate during 2010/11 the provision was deemed sufficient.

H2.10 Trading Operations

This relates to work undertaken by the Housing Repairs Workforce on General Fund properties such as Barton Centre, Covered Market and Town Hall.

	Expenditure	Income	Net (Surplus)/ Deficit	Net (Surplus)/ Deficit
	2010/11	2010/11	2010/11	2009/10
	£000	£000	£000	£000
Estates	247	(229)	18	(41)
Total Trading Operations	247	(229)	18	(41)

NOTES TO THE HOUSING REVENUE ACCOUNT

H2.11 Capital Commitments

<u>Description</u>	<u>Contractor</u>	2010/11 £000	2009/10 £000
Roofing	GSR	-	181
Fire Doors	Lindman	-	234
External Rendering	Fergal	-	184
Windows	Nationwide	20	350
S106 Fees	Oxford County Council	224	224
New Build Site Management	Frankam Consultancy (Oxford) Ltd	-	91
Project Management	The Clarkson Alliance	-	48
Construction costs Cardinal House	Leadbitter Group	600	2,737
Construction costs Lambourn Road	Lovells	403	2,734
Controlled Entry	West Midland Services Ltd	180	-
Total Capital Commitments HRA		1,427	6,783

COLLECTION FUND

The Collection Fund is a separate statutory fund under the provision of the Local Government Act 1988. Its assets and liabilities are included in the General Fund Balance Sheet and its income and expenditure is shown below:

	2010/11 £000	2009/10 £000
Income		
Council Tax	(63,457)	(62,527)
Business Rates	(75,650)	(75,971)
Transfers from General Fund		
Council Tax Benefit	(10,318)	(9,708)
Discretionary Rate Relief	(20)	(12)
Contributions		
Towards Previous Year's Collection Fund deficit	-	-
Sub Total	(149,445)	(148,218)
Expenditure		
Precepts	73,878	71,270
Business Rates		
Payment to National Pool	75,448	75,754
Cost of Collection Allowance	222	229
Bad and Doubtful Debts		
Provisions	(193)	323
Contributions		
Towards Previous Year's Estimated Collection Fund Surplus	656	-
Sub Total	150,011	147,576
(Surplus) /Deficit	566	(642)
Collection Fund Balances		
	2010/11 £000	2009/10 £000
Balance B/forward	(737)	(95)
Movement	566	(642)
Balance C/forward	(171)	(737)

NOTES TO THE COLLECTION FUND

CF1. Non-Domestic Rates

Under the arrangements for Business Rates, the Council collects Non-Domestic Rates for its area, based on local rateable values, multiplied by a uniform Business Rate. The amount collectable, less a cost of collection allowance set by the Department of Communities and Local Government, and any adjustment to the provision for doubtful debts, is paid into the National Non Domestic Rate Pool. For each billing authority a set amount per head is paid back. For 2010/11 our contribution to the national pool was £75.448 million and our entitlement £14.641 million.

The local rateable value (2010 Rating List) as at 31 March 2011 was £230.026 million (£205.485 million at 31 March 2010). The multiplier for 2010/11 was set at 41.4 pence in the pound (48.5 pence for 2009/10).

CF2. Council Tax

The Council Tax Base is a measurement of the taxable capacity of the area. Dwellings are converted into Band D equivalents, taking into account exemptions and discounts. Dwellings are classified into eight valuation bands (A to H) based on 1991 capital valuations. The Council Tax is set for band D dwellings and the tax for the other bands is calculated as a proportion of the band D charge.

For 2010/11 Council Tax was set at £266.63 for a band D property (2009/10 £261.41).

The Council Tax base was calculated as follows:

Valuation Band	Total no. Dwellings on Valuation List	Total Equivalent Dwellings (after discounts, etc.)	Ratio to Band D	Band D Equivalents
A	2,234	1,519	6/9	1,012
B	8,791	6,817	7/9	5,302
C	18,551	15,534	8/9	13,808
D	15,526	12,589	1	12,589
E	6,593	5,247	11/9	6,413
F	2,779	2,366	13/9	3,418
G	3,167	2,684	15/9	4,473
H	566	309	18/9	617
	58,207	47,065		47,632
Crown Properties				0
Allowance of 2% for non-collection				(953)
Total				46,679

NOTES TO THE COLLECTION FUND

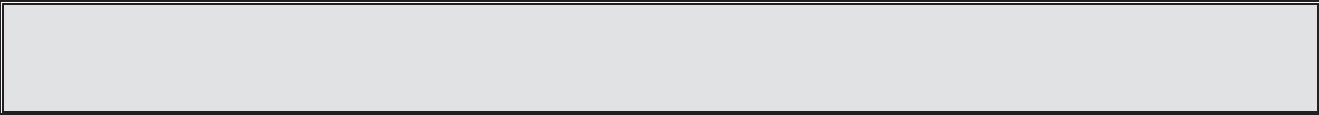
CF3. Council Tax Income

	2010/11 £000	2009/10 £000
Billed to Council Tax Payers	(63,456)	(62,530)
Council Tax Benefits	(10,318)	(9,708)
Transitional Relief	(1)	3
Total	(73,775)	(72,235)

CF4. Precepts

	2010/11 £000	2009/10 £000
Oxfordshire County Council	54,229	52,212
Oxford City Council	12,446	12,072
Thames Valley Police Authority	7,203	6,986
Total	73,878	71,270





GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Amortisation

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

Asset Held for Sale

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives.

Billing Authority

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

Capital Expenditure

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

Capital Adjustment Account

A reserve that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

Capital Receipts

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Collection Fund

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Collection Fund Adjustment Account

A reserve account that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

GLOSSARY OF TERMS AND ABBREVIATIONS

Contingent Assets/Liabilities

Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

Deferred Credits

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

Deferred Grants

Amounts received or receivable which have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

Earmarked Reserves

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

Finance Lease

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within fixed assets on the balance sheet.

Fixed Assets - Tangible

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

Fixed Assets – Intangible

Assets which are of benefit to the organisation but have no physical presence such as software licences.

GAAP

Generally Accepted Accounting Practice

General Fund Balance

Balance at Year End not earmarked for any specific purpose.

Group Accounts

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with UK GAAP.

Oxford City Council has not used acquisitions or mergers' accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

Housing Subsidy

A Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

GLOSSARY OF TERMS AND ABBREVIATIONS

International Financial Reporting Standard (IFRS)

A statement of accounting practice issued by the Accounting Standards Board.

Impairment

An accounting adjustment made to the value of the asset when its carrying amount (the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and impairment losses) exceeds its recoverable amount (the higher of assets fair value less cost of sale and its value in use).

Investments

Deposits for less than one year with approved institutions

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

Investment Property

Investment property is (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of operations.

Long Term Debtors

Amounts due to the Council more than one year after the Balance Sheet date.

National Non-Domestic Rates (NNDR)

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain relief and deductions, is paid to a central pool managed by the Government, which in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population

Non operational Assets

Fixed assets held by an organisation but not directly occupied, used or consumed in the delivery of services. An example of a non operational asset is an investment property or an asset being held pending its sale.

Operational Asset

Fixed assets held by the Council and used or consumed in the delivery of its services.

Operating Lease

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

GLOSSARY OF TERMS AND ABBREVIATIONS

Pooling of Housing Capital Receipts

Pooling is the term given to the requirement to pay to the Government a proportion of certain types of capital receipt. From 1st April 2004 Right To Buy receipts are subject to a payment into a government pool at the rate of 75%. Costs associated with improvement to the property expended over the past three years are deductible from the cash receipt before the pooling percentage is applied.

Precept

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. District Councils) to meet its expenditure requirements.

Profit on the sale of Fixed Assets

This is a recent accounting requirement for Local Government, and requires the book value of the asset sold to be compared to the net proceeds to calculate the profit or loss on the transaction

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

Revenue

Cost and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and service relating income.

Revenue Expenditure Funded from Capital under Statute

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the CODE's definition of fixed assets. Examples include grants and similar advances made to other parties to finance capital investment.

Revenue Support Grant

This funding is the Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

Statement of Recommended Practice (CODE)

The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

The CODE specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority. It prescribes the accounting treatments and disclosures for all normal transactions of an authority and involves interpretations of accounting standards issued by the Accounting Standards Board.

Statement of Standard Accounting Practice (SSAP)

A statement of accounting practice issued by the Accounting Standards Board.

Surplus Asset

Where assets are not in use but do not meet the criteria of Assets Held for Sale they will be considered surplus and will be accommodated in the class of Property, Plant and Equipment.

GLOSSARY OF TERMS AND ABBREVIATIONS



INDEPENDENT AUDITORS REPORT AND CERTIFICATE

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INDEX OF NOTES TO THE CORE FINANCIAL STATEMENT

Statement of Accounts 2010/11

APPENDIX B

Explanatory foreword by Head of Finance

1 Introduction

- 1.1 I am pleased to be able to present to you the Statement of Accounts for the year 2010/11.
- 1.2 The purpose of the Statement of Accounts is to provide clear information to readers on how Oxford City Council has utilised available financial resources. This document provides details of the Comprehensive Income and Expenditure for the financial year 2010/11. The report provides, in accordance with the International Financial Reporting Standards IFRS, the accounting for the General Fund, Housing Revenue Account, Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of its assets and liabilities as at 31 March 2011. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of the Statement of Accounts publication to help explain some of the technical terms.
- 1.3 The accounts and all relevant documents are subject to review by the Audit Commission who provide their opinion on the Council's accounts. The Audit Commission have given an unqualified opinion on the original SORP based Statement of Accounts presented for 2009/10, and will now be required to give an opinion on the 2010-11 Statement of Accounts which will incorporate an assurance on the restated 2009/10 accounts, all on the IFRS format.

Summary of 2010/11 Outturn

- 1.4 **General Fund** – The Council's outturn position was positive at the year end. It overachieved against the budgeted position by £266k and was able to add £1.256m to the working balance in line with the budget. In addition the Council added a further £1,484k to earmarked reserves due to a one-off VAT reimbursement in respect of sporting activities and £558k in respect of unused contingency. These sums will provide for HR and severance liabilities going forward and future years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.
- 1.5 **HRA** – The budgeted position was to generate a surplus of £500k, the actual surplus was £232k, the overspend being largely due to a reduction in the amount of overhead the authority capitalised. This is an ongoing pressure which the authority are looking to address as part of the business planning we are currently undertaking in readiness for HRA reform.

- 1.6 Capital** – The Council’s Capital Programme was underspent by £9m at year end due mainly to slippage on key schemes including Offices for the Future and the Old Fire Station where the main contractor for these projects filed for voluntary administration. In addition the draw on the contingency for the new build on Cardinal House and Lambourne Road was around £3m less than expected. In accordance with the CEB Report Slippage (£6m) was approved for carry forward.

The Statements

1.7 The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and of the Section 151 Officer (Director of Finance and Efficiency). The purpose is for the Director (Finance & Efficiency) to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure.
- The Core Financial Statements incorporating:
 - Movement in Reserves Statement - MIRS
 - The Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Housing Revenue Account
 - Collection Fund

2 Key Statement of Changes includes the introduction of the requirement to prepare the Statement of Accounts under IFRS.

- 2.1 The accounts for 2010/11 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local authority.
- 2.2 The 2011 Code is the first to be based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- 2.3 Statements of Accounts prepared in accordance with the statutory framework established for England.
- 2.4 It is important to note that from 2010/11 onwards under the International Financial Reporting Standards (IFRS), and this restatement will provide the comparative financial statements for 2009/10 required when preparing the 2010/11 statement of Accounts.
- 2.5 The impact of the Code and required changes are significant. A detailed analysis of the main changes is provided in the introduction to the Accounting Policies in

the Statement of Accounts; however, this Explanatory Foreword attempts to explain the changes in a more general way. These are set out below:

- a. A number of new accounting statements are presented, the old Income and Expenditure account is replaced by a **Comprehensive Income and Expenditure (CI&E)** statement which incorporates the old Statement of Total Gains and Losses.
 - b. A **Movement in Reserves Statement (MIRS)** is provided and is used to adjust IFRS accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden.
 - c. The new IFRS **Balance Sheet** is similar to the old also GAAP one, but the terminology has been changed. For this year the Balance Sheets of the 2 prior years have been presented in the accounting statements for comparative purposes.
 - d. The IFRS **Cash Flow Statement** remains very similar to the GAAP one, except that there is a new treatment of short term overnight investments which are now recorded as cash.
 - e. Under IFRS a **Segmental Reporting Note** is required. The note is based on internal management structures and has to include service expenditure analyzed by the way in which the Council manages its services rather than in the standard way required by the main CI&E
- 2.6 Some of the Council's Accounting Policies have also had to be changed to enable the accounting to be compliant with IFRS.

3. The Key Changes in Accounting Policies

- 3.1 The Accounting Policies set out the principles, rules, conventions and practices applied that governs how the effects of transactions and other events are reflected in the accounts.
- 3.2 The main changes in Accounting Policies are as follows:
 - a. **Capital and Revenue Grants** - are assessed to recognize if conditions exist over the use of the grant. Any grant with a condition is recorded in the grants received in advance account, while grants without conditions are recognised immediately in the CI&E
 - b. **Assets** - are assessed to identify Assets Held for Sale and assets identified as such will be treated as current assets rather than tangible Fixed Assets. AHFS are not depreciated.
 - c. **Investment Properties** - are redefined as being solely for capital appreciation and providing income. Any revaluation of investment property is recognised in the CI&E rather than the Revaluation Reserve.
 - d. **Leases** - are assessed by considering the asset elements, land is considered to be infinite in life and therefore an Operational Asset, where as building are assessed on the basis that risks and rewards should rest with the organization

that maintains them and is reflected in the Balance Sheet in this way rather than by ownership.

- e. **Cash Equivalents** - are to be recognised as part of cash and this has led to short term overnight Investments being classified as Cash Equivalents rather than Investments.
- f. **Employment Benefits** - are recognised immediately in the case of termination costs which have been deferred, and untaken leave is accrued.
- g. **Assets** - where appropriate are subject to componentisation and depreciation reflects different elements of the assets.

4. Details Of The Core Financial Statements:

The Movement in Reserves Statement (MIRS)

- 4.1 The MIRS shows movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'other reserves'.
- 4.2 The surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.
- 4.3 The 'Net increase /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Brought Forward	Movement	Carried Forward
	£000's	£000's	£000's
General Fund	3,140	1,288	4,428
Earmarked General Fund	5,366	1,484	6,850
HRA	2,000	0	2,000
Earmarked HRA	3,390	(763)	2,627
Capital Receipts	8,065	1,587	9,652
Capital Grants	369	0	369
Total Useable	22,330	3,596	25,926
Total Unusable	602,677	(1,720)	600,957
Total Reserves	625,007	1,876	626,883

4.4 Implications of the Outturn Position

- a. The General Fund Working Balance this has been increased with the budgeted transfer of £1.288m and at 31st March 2011 stands at £4.428 m.

- b. HRA Working Balance remains unchanged at £2million at 31st March 2011.
- c. Earmarked General Fund Reserves – At 31/3/2011 these stood at £5.477million In 2010/11 the council made a net transfer in of £1,484k with key reserve movements including:
- i. Unspent 2010/11 contingency (£558k) transferred to the HR and Severance Reserve
 - ii. Monies from Flemming VAT claim – (£814k) transferred to Capital Funding Reserve
 - iii. Net transfer to Business Transformation Reserve £150k
 - iv. Surplus over and above budget (£234k) transferred to HR and Severance Reserve
 - v. Transfer out of HR and Severance Reserve to cover costs in 2010/11 – (£821k)
 - vi. Transfer in of £373k to a grants reserve pending release to fund expenditure such as HOWD Regional Chamption Funding and Sport England
- d. HRA earmarked reserves at 31/3/11 stood at £2.627m following a net transfer out of £764k. Notable movements include:
- i. Surplus on HRA transferred to Decent Homes Reserve to finance future capital expenditure £233k
 - ii. Transfer from Decent Homes Reserve to finance capital £1.396m
- e. Capital Receipts Unapplied – At 31/3/2011 the Council held £9.651m in reserves.

	2009/10
	£000's
Balance B/F 1 st April 2010	8,065
Disposals	3,385
Total	11,450
Pooled	(303)
Used for Financing	(1,497)
Balance c/f 31st March 2011	9,650

Notable disposals in year are included:

- i. 2 cottages at Cuttleslow Park,
- ii. Rose Hill Cemetery Lodge,
- iii. 2 council house sales,
- iv. 170 Walton Street
- v. Ashurst Way flats

The Comprehensive Income and Expenditure Statement

- 4.5 This shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with

regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- 4.6 The segment reporting note shows how the Comprehensive Income and Expenditure Statement reconciles back to the management accounts reported quarterly to CEB. Details of this more familiar report presentation for General Fund together with a commentary are shown below together with the Housing Revenue Account

General Fund Revenue Outturn 2010/11

- 4.7 The Council set a budget for spending on General Fund services of £28.32m to be financed partly from Government Grant (£2.126m) and a share of the National Non-Domestic Rates (£14.64m). Of the remainder £12.4m was raised through Council Tax, with a contribution to the General Fund Working Balance of £1.256m.
- 4.8 The average Council Tax for a Band D property was set at £262.96.
- 4.9 The table below summarises the outturn position in the format we used for 2010/11 internal reporting and as reported to City Executive Board on 20th June 2011.

	Approved Budget 10/11	Expenditure 10/11	Variance At Year End 10/11
	£000's	£000's	£000's
Directorates			
Chief Executive	4,085	4,137	52
City Regeneration	7,286	6,219	(1,067)
City Services	9,048	9,418	370
Finance & Efficiency	3,396	3,547	151
Total Excluding SLAs And Capital Charges	23,815	23,321	(495)
SLAs And Capital Charges	(1,481)	(1,457)	24
Corporate Below the Line Budgets	4,728	4,407	(321)
Net General Fund	27,063	26,271	(792)
(Use of)/ transfer to Balances	1,256	1,288	32
Transfer to/(from) Reserves	824	1,484	660
Net Budget Requirement	29,143	29,043	(100)
External Funding	(16,766)	(16,766)	(0)
Council Tax	(12,449)	(12,449)	(0)
Less: Assumed Parish Precepts	172	172	0
LABGI	(100)	0	100
Total Funding Available	(29,143)	(29,043)	100
General Fund Total	0	0	0

Overview

4.10 The Council overachieved against our budgeted position by £266k adding £32k to the working balance over and above the budgeted £1.256m and adding the remaining £234k to a HR and Severance Reserve. In addition we were able to add a further £824k to earmarked reserves due to a one-off VAT reimbursement in respect of sporting activities and £558k in respect of unused contingency. These sums will provide for HR and severance liabilities going forward and future years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.

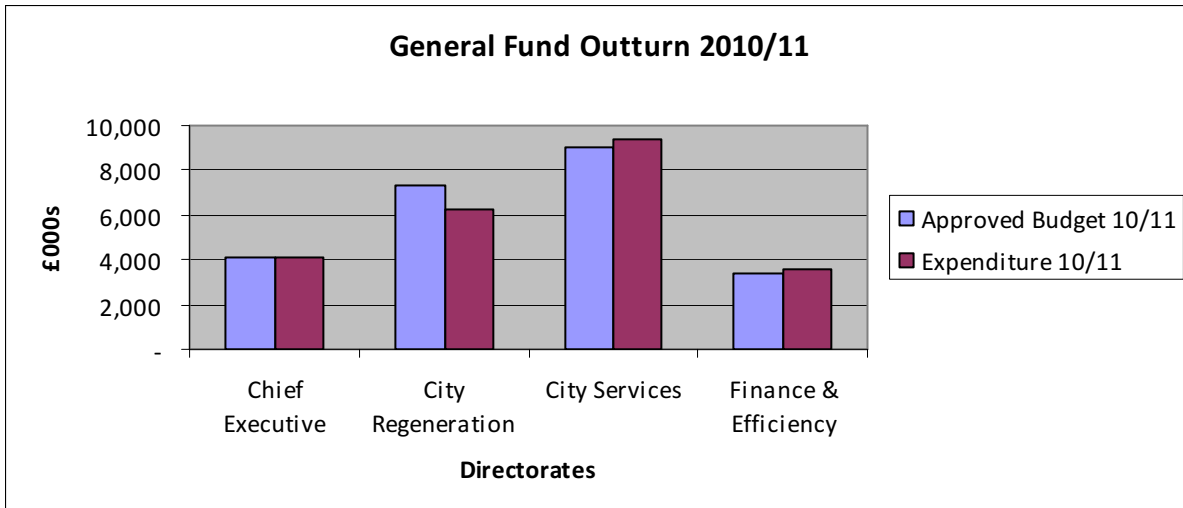
4.11 Other major variations in the general fund include :

Adverse

- a. Unachieved savings of £583k – This represents approximately 27% of all savings in the 2010/11 budget across a range of Directorates. Going forward these shortfalls have been recognised in the Councils Medium Term Financial Plan
- b. Reduced car parking income £700k. This represents an 11% reduction in income largely resulting from reduced demand. This trend is continuing for 2011/12 but we have adjusted the budget accordingly
- c. Reduced investment income – £189k due to reduced interest rates. The average interest rate was 0.49%
- d. Reduced building control income - £128k.

Favourable

- e. Increased income from town hall lettings and additional grant income - £126k
 - f. Net Variation in payments to landlord with regard to homeless families as a result of the councils proactive approach to encouraging homeless people permanent accommodation of their own -£433k
 - g. Concessionary fares reduced payments to bus operators £275k, this service has now transferred to the County Council
 - h. Increased recovery of housing benefit overpayments and other net movements in Housing Benefits £146k
 - i. Underspend on play projects due to slippage on scheme - £200k
 - j. Spending freeze on Parks budget - £114k
 - k. Underspend on contingency not required - £558k, subsequently transferred to earmarked reserves
 - l. Additional monies received in respect of Flemming VAT claim - £816k, subsequently transferred to reserves
- 4.12 A comparison of actual net spend against the budget by Directorate is shown below.



The Balance Sheet

- 4.13 The Balance Sheet shows the value as at 31st March of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.
- 4.14 Usable Reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 4.15 Unusable Reserves – those reserves that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.
- 4.16 The Balance Sheet can be summarised as follows

	2010/11	2009/10
	£000	£000
Value of land and property and long term assets owned	676,727	766,475
Cash, Investments and stocks	62,758	67,668
Money Oxford owes	(97,958)	(191,377)
Money Oxford is owed	48,113	49,918
Net Worth of Council at 31st March	626,883	625,016

- 4.17 Notable variations include:
- Reduction in fixed assets arising from an impairment in the value of council dwellings in the order of £134m. This due mainly to the increase in the deduction

made to the vacant possession value of the housing stock resulting from the application of the factor applied to the valuations which adjusts the vacant possession value for the Existing Use Valuation for Social Housing. This factor is given in the stock valuation guidance provided by the Department of Communities in Local Government. This factor for Oxford had reduced the Vacant possession value by 55%, but now reduces the Vacant possession value by 68% If this had been the only factor the value of the stock would have reduced from £563m to £401m

- b. A reduction of around £100m in the money that Oxford owes due largely to a reduction in the pension fund deficit, see para 7.2 below
- c. The net worth of the council over the two years has remained relatively stable as a result of the above equal and opposite variations.

The Cash Flow Statement

- 4.18 The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Council during the reporting period. The statement shows how the Council generates and uses Cash and Cash Equivalents by classifying cash flows as; operating, investing and financing activities.
- 4.19 The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.
- 4.20 The overall reduction in cash and cash equivalents i.e short term investments between 2009/10 and 2010/11 is approximately £3,831k. This cash has been applied to :
 - a. Net spending on operating activities £16.813m
 - b. Investing activities , purchase of property plant and equipment less proceeds from sales and disposals -£19.651m
 - c. Financing costs of borrowing - £993k

The Housing Revenue Account Income and Expenditure Statement

- 4.21 The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.
- 4.22 The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Housing Revenue Account Provisional Outturn 2010/11

<i>Income and Expenditure Account</i>	Budget £'000	Actual £'000	Variance £'000
Income from Rent and Service Charges	(34,529)	(34,799)	(270)
Expenditure of Repairs and Management	16,195	16,299	104
Subsidy, finance and appropriations	17,834	18,267	433
Deficit/ (Surplus)	(500)	(233)	267

- 4.23 The HRA budget was budgeted to make a surplus of £500k for 2010/11. The outturn position as shown was £233k, an adverse variance of £267k. Notable variations included:
- Approximately £400k was transferred to earmarked reserves and provision in respect of ICT hardware, self insurance and Direct Services project work.
 - In year the authority experienced an adverse variance on contracting and repairs of approx £800k due mainly to inability to capitalise all indirect overheads.
 - Favourable variances in tenancy services of £300k driven largely by a reduction in the bad debt provision for rent arrears and staff vacancies.
 - Increased rent and service charge income – (£270k).
- 4.24 The outturn resulted in a working balance of £2million and a reserve to fund future capital works of around £2million.

The Collection Fund

- 4.25 The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.
- 4.26 The movement in the Collection Fund Balance is £566k reducing the collection fund balance to £171k as at 31st March 2011. This balance is shared between the major preceptors i.e. the City Council, County Council and Police as follows

	2010/11	2009/10
	£000's	£000's
Oxford City Council	29	125
Oxfordshire County Council	126	540
Thames Valley Police	16	72
Total	171	737

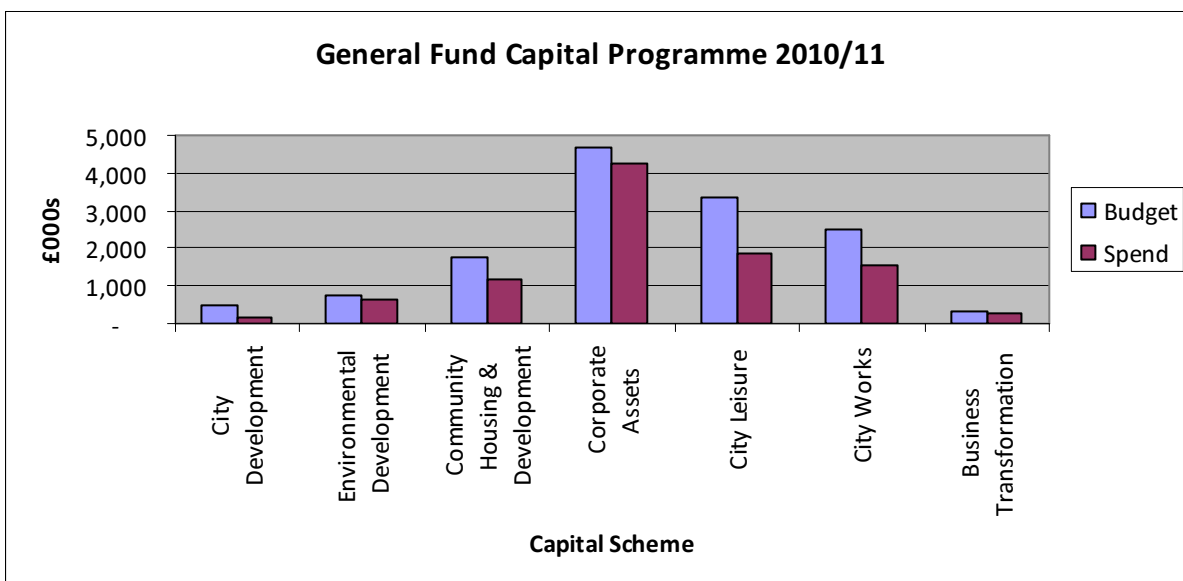
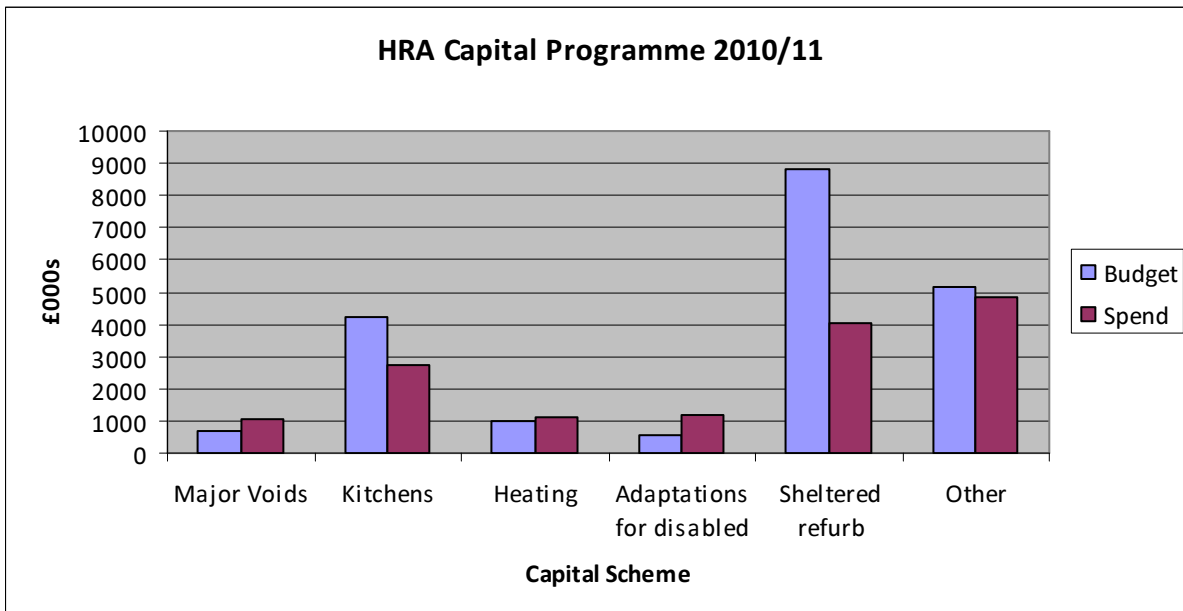
4.27 The main reasons for the reduction in the balance of £566k relates to:

- a. Increase in the council tax base increasing the amount paid to major preceptors
- b. Increase in council tax exemptions

5 Capital

5.1 The Council's budgeted capital spend for 2010/11 was £34.317m, actual spend was £24.832m a variation of £9.483m of which £6.202m was carried forward as slippage to be spent in future years. Approximately £5.5 m of the variation related to projects in the HRA the largest of which related to the refurbishment of Cardinal House and Lambourne Road. Other notable projects included:

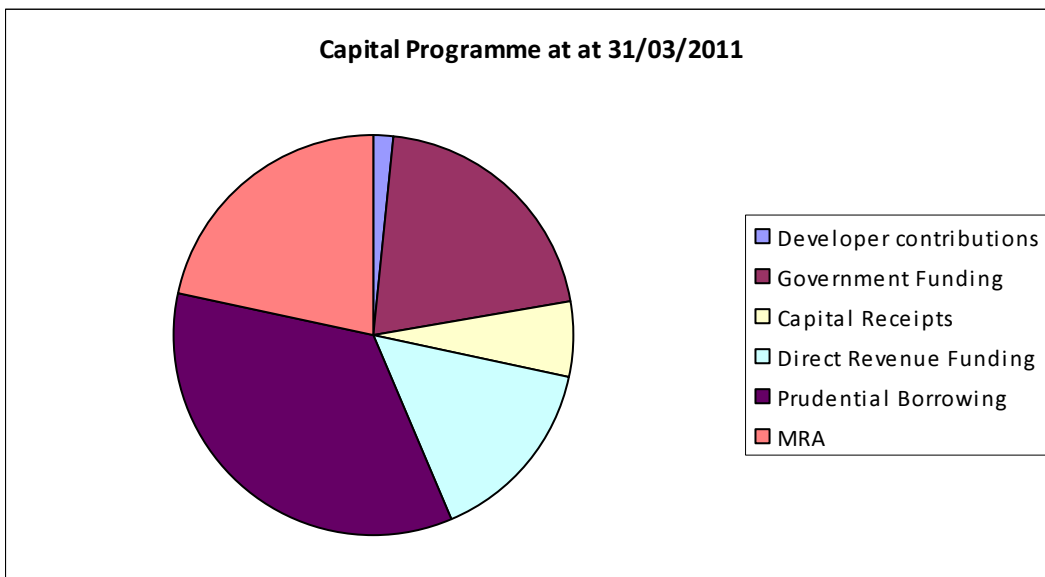
- a. Disabled Facilities Grants £647k
- b. Old Fire Station- £915k – There was slippage of approximately £700k on this project due to the contractor going into voluntary administration
- c. Improvements to leisure sporting facilities -£2.9m
- d. Office for the Future - £996k
- e. Playground refurbishment - £1.195m – There was slippage of £585k on this project due to a slow down in the delivery of the project whilst prioritisation was assessed
- f. Competition pool - £561k spend in fees in connection with the new competition pool
- g. Vehicle replacement program -£926k with slippage of £966k due to non replacement of within waste and recycling
- h. Cardinal and Lambourne House refurbishment - £7m with an underspend of £3.3m due to less usage of the contingency
- i. Kitchens and bathrooms in council dwellings - £2.715m with an underspend of £1.714m due to lower than expected costs for installations
- j. Disabled adaptations to council dwellings - £1.158m overspend by around £600k due to increased demand



Funding the Capital Program

5.2 The program was funded predominantly by Prudential Borrowing 34%, £4.6m on HRA and £4m on General Fund mainly in relation to leisure centre and playground refurbishments. Approximately £5.3m funding was from Major Repairs Allowance in respect of the decent homes programme and a further £5.1m from government grants such as HCA in respect of Cardinal House and Lambourne Road and New Growth Points.

Capital Programme at at 31/03/2011



6 Contingencies and Provisions

6.1 At 31st March 2011 the Council had made financial provision for expenditure likely to be incurred some time in the future totalling £2.727m. Included in this figure are the following amounts:

- St Aldates rent review - £369k – The council is currently in arbitration over the amount it should pay for rental at property it occupies in St Aldates
- Bond deposits - £421k – A scheme established by the Lord Mayor of Oxford to help local non statutory homeless individuals access the private housing market. This provision represents payments that may need to be made towards rental deposits
- Singletree Repairs and Maintenance - £217k – A provision to cover major work in respect of leaseholder properties. When the leasehold property is resold a percentage of the resale value is paid into the provision
- Lease agreement Southfield Park - £1.338m – Required to cover increase in site rent due from April 2004. Agreement still in arbitration.

6.2 In addition the Council has a self insurance provision of £1.4m which is used to meet claims up to specified amounts, levy and which the council insures through external insurers.

7 Pension Scheme Liability

7.1 The Council's liability to provide for the cost of post employment benefits of staff (provisions) have reduced significantly in the year ended 31 March 2011.

7.2 The liability reported as at 31 March 2010 was £145.6m. The revised liability as at the 31 March 2011 is £53.2m. The decrease is due to a number of factors, the most significant of which were an actuarial gain of £72,962,000 due to a significant fall in the estimated liabilities of the fund and an increase in fair value of the assets. Also a past service gain of £22,248,000 was realised due to the

change announced in the budget statement on 22 June 2010 regarding pension up-rating to be in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). More information regarding the Defined Benefit Pension Scheme can be found in note 39 to the Statement of Accounts.

Icelandic Banks

- 7.4 The Authority had £4.5m invested with two of the failed Icelandic banks, of which £3m was deposited with Heritable bank and £1.5m with Glitnir bank. These investments, together with accrued interest, are overdue repayment. To date, 56.33% of our original Heritable bank investments have been repaid. This includes 6.25% paid post balance sheet date in April 2011. Current guidance indicates that the repayment of the Heritable deposits will continue with an eventual total repayment of approx 85% of the original deposits by the end of 2012. The Authority has not received any repayment of £1.5m deposited with Glitnir bank. The matter is currently being processed through the Icelandic courts. This issue is being dealt with nationally by the Local Government Association who considers that prospects for recovery are good. The Authority, however, has had to impair these deposits in 2009/10 and has used a capitalisation direction to spread the costs in accordance with accounting practice. As a consequence, a prudent approach has been adopted in 2010/11 to not follow the accounting treatment recommended by LAAP Bulletin 82 Update 4 released by CIPFA in May 2011. Contrary to the accounting treatment recommended in the bulletin, a prudent approach dictates that no revaluation of the financial instrument will take place until a final settlement has been determined and received. This will preserve the benefit of a £1.9m capitalisation directive to the Authority, until a final settlement is agreed and paid.

Current Borrowing

- 7.5 The Council had £4.377m of outstanding debt from the Public Works Loans Board (PWLB) as at 31st March 2011, down from £5.856m last year. No new debt was taken on in 2010/11 and all debt relates to HRA activity. The additional £8.5million of Prudential Borrowing to finance the capital programme in 2010/11 will add to the councils Capital Financing Requirement but will not necessarily result in increased borrowing as this depends on cash flow within the Treasury Management activity.

Approximately £4.5m of prudential borrowing was for HRA capital spend and the remainder on General Fund for playground equipment and Leisure centre improvements and refurbishments

Financial Prospects Looking Forward

General Fund

- 7.6 The 2010/11 outturn position was good with the Council not needing to call on its contingency budget and under spending by £234k in year. Additionally, the Council received one off windfall income of @ £800k as a consequence of a favourable ruling on VAT overpayments going back to the 1990's. As per the Outturn report to CEB these sums have been transferred into earmarked reserves to provide for HR and severance liabilities going forward and future

years capital programme funding, reducing the need for prudential borrowing and easing the burden on revenue.

The Councils medium term financial plan for 2011-12 to 2014-15 agreed at Council in February 2011 estimated working balances as follows :

	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
Working Balance	5,212	4,639	4,270	3,660

7.7 To achieve this position a significant savings and service reduction programme has been implemented totalling £8million over the next four years. This programme of savings is significant although there are contingencies held in reserve in the event that some of the more risky aspects are not achieved.

7.8 Going forward many of the difficulties we had around certainty of funding this year are likely to remain until much later in the financial year, in particular the outcome of the review of local government funding and the implications for any re-localisation of business rates, as well as transitional arrangements for the new benefits service.

7.9 It is important to note that ongoing funding of the New Homes Bonus is being considered as part of the review of local government funding and again the implications are not yet known.

7.10 Other factors that could affect the plan include :

- a. The Government failed to hit their deficit reduction targets, which is 50:50 at this stage, may result in further cuts in funding to local government in the latter part of the plan. The Q2 growth figures due in early October will provide an important indication of whether the Plan is on target.
- b. Inflation is also running at a higher level than predicted, CPI is projected to reach 5% in the current financial year and remain above target into 2013, which will clearly impact costs
- c. Contribution levels for the local government pension scheme are expected to increase significantly, which may result in current members leaving and new entrants not joining. This in turn could have an impact on employers past deficit contributions in future years
- d. The DWP; under pressure, have provided an indication of likely funding for the Council Tax and Benefit Admin grant in 2012/13 (@ £900k), but future year arrangements are still unclear
- e. It is still early in the current financial year, but at this stage budget monitoring information is not highlighting any significant pressures
- f. Year four of the plan will see the removal of the council tax grant of £318k.

HRA

7.11 On a positive note the HRA working balance remains at £2million with plans to increase this in 2011/12 by a further £500k.

7.12 HRA Reform will come into effect from 1st April 2012, giving the council the ability to self finance its housing operations without the need to make ongoing payments of £18m to the government. In exchange for these new freedoms the Government will transfer debt to the Council estimated to be in the region of

£200m which the Council will service through its rents. Officers are currently working through the impact of these changes.

In Conclusion

- 8.1 I would like to thank Finance staff and services for their work preparing these Statements of Accounts. I hope the information is helpful in allowing you to have a clear understanding of how Council money has been spent.
- 8.2 We've tried hard to put information in as clear a manner as possible, but if you do want to find out more about these accounts you can:
- Visit our website at: www.oxford.gov.uk
 - Email to:
Head of Finance (Nigel Kennedy at nkennedy@oxford.gov.uk) or
Financial Accounting Manager (Anna Winship at awinship@oxford.gov.uk)
 - Write to us at:
Oxford City Council
2nd Floor, Town Hall, St Aldates
Oxford OX1 1BX
 - Contact our auditors via a-witty@audit-commission.gov.uk .

To: Audit and Governance Committee

Date: 30th June 2011

Item No:

Report of: Head of Law and Governance

Title of Report: 2010/11 Annual Governance Statement

Summary and Recommendations

Purpose of report: To present the 2010/11 Annual Governance Statement for approval

Report Approved by: Councillor Bob Price

Finance: Jacqueline Yates

Legal: Jeremy Thomas

Policy Framework: None.

Recommendation(s): That the 2010/11 Annual Governance Statement be approved.

Introduction

1. The Authority is required by the Accounts and Audit Regulations 2011 to review, annually, its internal controls environment and produce an Annual Governance Statement ('the Statement'). The Committee is required to consider, and if satisfied, approve the Statement. The Statement forms part of the Council's statement of accounts.

Recommendation

2. That the 2010/11 Annual Governance Statement be approved.

Name and contact details of author:

Jeremy Thomas
Head of Law and Governance
Town Hall Oxford OX1 4YS
Tel: 01865 252224 e-mail: jjthomas@oxford.gov.uk

Background papers: Service Assurance Checklists

Annual Governance Statement – 2010/11 financial year

Scope of Responsibility

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

4. The governance framework comprises the systems and processes and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31st March 2011 and up to the date of the approval of the accounts.

The Governance Framework

7. The Corporate Plan 2011-15 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the County Council. It also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and providing excellent value for money. This Corporate Plan sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment.

8. The City Council's priorities for the next four years are:
 - A vibrant and sustainable economy
 - Meeting housing need
 - Strong and active communities
 - Cleaner greener Oxford
 - An efficient and effective council.

The plan has significantly reduced the number of measures attached to each of the priorities and has been extensively publicised.

9. In the last 12 months the Council has undertaken a review of how it has been managing performance in the light of the change in direction by central government. The Council is developing a more holistic and practical approach to performance, focusing on how we embed continuous improvement across all sections of the Council. The Council has set up a corporate system for recording and reporting performance, risk and projects. This system has streamlined reporting, provided visibility and enabled the Council to manage our approach to improving our services in a cohesive manner.

10. Our Prince 2 light approach to programme and project management is now embedded across the Council. Themed programme and project boards have been operating successfully and within the adopted project management methodology. This year has seen the fruit of some of the programmes with a major refurbishment of one of our Council offices underway (and a surplus building sold) and the CRM (Customer Relationship Management) system and mobile working 'rolled out' across several service areas. The projects being managed by the various boards are resulting in the Council delivering savings and working more efficiently.

11. The Council completed a major review of the refuse and recycling service, exposing the whole service to competition. This major review resulted in the in house team also reviewing the way the service operates, the method of recycling and as a result this review has saved the Council over £1 million a year.
12. This year the Council has aligned its BPI work to the corporate programmes and has focused on reviewing and streamlining processes in the Customer First Programme so that the customer facing processes can be handled by any operator. These processes have been documented within the CRM workflow.
13. The Council achieved 82% of its performance targets. This was a significant improvement from the 69% achieved by the Council in 2009/10 and reflects the Council's move from performance monitoring to performance improvement. 62% of the performance indicators exceeded their target.
14. During 2010/11 the CRM software application was consolidated to improve the way the product operates in the contact centres. In addition, the software was expanded to record comments, complaints and compliments for the whole organisation. This means members of staff in every service are inputting comments, complaints and compliments into CRM directly using the 'virtual office' part of the system.
15. Preparatory work has been undertaken for the move to a single contact centre and face-to-face customer service centre in 2011/12, with Environmental Development, Planning and Housing and Community Services planning to go 'live' on the CRM system at that time.
16. The Council continued to make significant investment in the learning & development of its employees. A £0.5m budget was available across the organisation, with half of that sum delegated to service areas to meet their individual service requirements. At a corporate level, 2010/11 saw the conclusion of the Council's management development programme. The Council's recent success in achieving Investor in People accreditation (although falling outside of the period covered by this statement) reflects the progress the Council has made in people management including an emphasis on learning & development and the carrying out of proper employee appraisals. The Management Practice Group continued to meet throughout the year, enabling managers across the Council to discuss and share best practice. In addition, the corporate management team presented a number of 'corporate briefings' to all employees to ensure that key messages were communicated effectively.

17. Clear schemes of delegation for Council, the City Executive Board and officers are set out in the Council's constitution. The role, purpose and terms of reference for scrutiny Committees and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information.
18. The Council has adopted Codes of Conduct for members and officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Monitoring Officer and the Standards Committee provide regular training opportunities in relation to ethical conduct and the Standards Committee reports annually on its work to full Council.
19. Council and the Executive consider annually, review and confirm their schemes of delegation and the terms of reference of their committees. All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified. There are comprehensive contract, financial and employment rules in the constitution. Each report to the City Executive Board is accompanied by a risk register and an initial equality impact assessment.
20. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.
21. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. Financial planning and budget setting is underpinned by constitution, prioritisation, savings action plans and a medium term financial strategy which is regularly reviewed and updated by the Executive.
22. The Monitoring Officer and Chief Finance Officer have not had cause to issue reports in exercise of their statutory powers in the 2010/11 financial year..
23. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Standards Committee. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its CRM system so as to ensure the consistent capturing and reporting of complaints across the Authority. The Standards Committee keeps under review the operation of that system and publicly receives any Ombudsman reports in relation to maladministration. There were no formal reports issued by the Local

Government Ombudsman against the Council in this year. The Audit and Governance Committee receive quarterly reports on all allegations of fraud or corruption.

24. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

Review of Effectiveness

25. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

26. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:-

Risk Management
Business Planning
Projects and project management
Financial management
Fraud
Procurement
Human resources
Equality and Diversity
Data quality and security
Health and safety
External accreditations
Review of controls

27. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.
28. The Council's internal auditors were invited to review the existence and content of procedure notes for the Council's key systems as at 31st March 2011. Those systems sampled for testing (18 in total), were selected on a risk basis in conjunction with the Monitoring Officer and Head of Finance. The results of this sample testing showed that 13 out

of the 18 systems were fully documented with procedure notes in place. For 7 of those systems the procedure notes had 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.

29. The assurance checklists returned from Service Areas revealed that a number of written procedures had been produced in the last 12 months in respect of key functions and processes, including payment of creditors, the raising of debtors, bank reconciliations and final accounts closedown.
30. The annual report from the Council's internal auditors, PWC, is to be considered at the same meeting of the Audit and Governance Committee as this governance statement and that annual report will contain an independent professional view of the adequacy of the Council's internal controls, which should be read in conjunction with this statement.

Significant Governance Issues

31. The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it concluded that controls are operationally sound.
32. The areas where weaknesses have been identified are listed below, together with a brief summary of the action being taken to make the necessary improvements.

Area of Concern	Action Planned
ICT governance – there were acknowledged weaknesses in terms of agreed procedures as between the City Council's ICT service and other services.	As of the 1 st April 2011 the corporate services modernisation programme brought together ICT application management and support within the City Council and aligned it with the client side function for infrastructure support, under a new Head of ICT. This will improve resilience, and governance arrangements going forward and facilitate more effective communications through the deployment of a business partner model.

<p>Key processes are not documented in a common fashion in a central electronic procedure library</p>	<p>The City Council does have a lot of processes documented, however this information is held by teams and not centrally available. The Business Improvement Team commenced a project in June 2011 to collate a full list of all the key Council processes and the any procedure documentation held. A gap analysis will then be carried out, leading to a corporate project to ensure that all key processes are documented, kept up to date, with a process owner and held centrally. Existing processes will be reviewed using the Council's corporate approach to BPI and better use of our applications exploited where possible. This project will be completed by the end of the year.</p>
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Audit Commission Progress Report

Oxford City Council

Date **June 2011**



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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 the work set out in my 2010/11 audit plan.

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.

2010/11 audit work

6 My work on your control environment and financial systems is being finalised. My interim report is with the Council. The main issues arising concern the completion of the IFRS restatement of 2009/10 financial statements and improving the operation of control account reconciliations.

7 The Council's preparation of IFRS restated accounts for 2009/10 caused concern.

8 It was agreed at the January Audit and Governance Committee that the Council would produce IFRS compliant restated 2009/10 financial statements by 21 February 2011.

9 We have had problems getting the information through to complete our work on IFRS. Council officers informed us in April that the accounts we had been working on were in fact incorrect and that they needed to do more work on these and we would have revised statements in the following week. We moved our resources to accommodate this but officers were not able to get the required information to us as agreed. We agreed a revised date in the following week but again the information was not available. Officers then

informed us that it would take more time than anticipated to prepare them and the revised accounts were received on the 9 May. I have auditors working on these statements as this report was prepared for Audit Committee papers. I will update the Audit Committee on progress at the 30 June 2011 meeting.

10 The delays and the impact on resourcing and our initial work that has had to be redone have resulted in additional time being spent on the audit and therefore this will result in additional fee which we will quantify and report to you once the work is completed. I will keep officers informed of progress in the meantime.

11 I will give my VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Commission, related to a council's arrangements for:

- securing financial resilience – focusing on whether the council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how it secures economy, efficiency and effectiveness – focusing on whether the council is prioritising its resources within tighter budgets and improving productivity and efficiency.

12 I have completed my risk assessment. To support my judgements I will:

- take into account my previous VFM work and being forward assurances where I can;
- review Audit Commission VFM Profiles;
- consider how the Council is managing the consequences of the 2010/11 review by reviewing financial reports and plans including the medium term financial strategy; and
- assess how the Council is trying to maintain services and effectiveness with reduced funding by reviewing plans and performance reports.

Reporting

13 Draft and final reports will be sent to lead officers for comment. The lead officer must respond to us, and where appropriate complete an accompanying action plan, within two weeks of receipt.

14 Final audit reports will be reported to the Director of Finance and Efficiency before reporting to the Audit and Governance Committee.

15 A summary of the key findings will be reported in the Annual Audit Letter.

Progress

16 Progress so far on our main blocks of work is set out in the attached appendix.

Key contacts

17 If you have any concerns about the audit then please contact myself or Alan Witty.

Name	Title
Maria Grindley	District Auditor 0844 798 8952 m-grindley@audit-commission.gov.uk
Alan Witty	Audit Manager 0844 798 8956 a-witty@audit-commission.gov.uk

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Appendix 1 Planned outputs

Audit Plan	Work programmed or carried out	Lead officer	Status	Start date	Draft report date	Final report date
2010/11 Audit						
Audit Fee Letter	Sets out the agreed content and timing of all aspects of the external audit for the financial year 2010/10.	Chief Executive	Fee discussed with Chief Executive before presentation to Audit and Governance Committee	March 2010	March 2010	9 April 2010
Audit Opinion Plan	Sets out in detail our opinion work for financial year 2010/11.	Chief Executive and Corporate Director Finance & Efficiency	Draft plan produced now finalised.	December 2010	January 2011	January 2011
Annual Audit Letter 2010/11	Draws together the main findings of the audit.	Chief Executive and Corporate Director Finance & Efficiency	Not yet due	November 2011	November 2011	

Audit Plan	Work programmed or carried out	Lead officer	Status	Start date	Draft report date	Final report date
Opinion						
Interim visit	Assessment of Council's key financial systems including the evaluation and testing of key controls (reliance on internal audit as appropriate).	Corporate Director Finance & Efficiency	In progress - draft report and action plan with officers for completion.	January 2011	April 2011	
Final Accounts	Audit of financial statements leading to; <ul style="list-style-type: none"> audit opinion on the financial statements. assessment whether the Annual Governance Statement has been presented meeting relevant requirements. 	Head of Finance	Not due to start yet	11 July 2011	30 September 2011 for issue of opinion	
Whole of Government accounts	Audit of WGA data returns to ensure consistency with main financial statements.	Head of Finance	Not due to start yet	11 July 2011	October 2010	
Value for money conclusion						
Value for money conclusion	Undertake enough work to give our VFM conclusion on the arrangements to secure economy, efficiency and	Corporate Director Finance & Efficiency	Planning stage completed	January 2011	30 September 2011 for issue of	

Audit Plan	Work programmed or carried out	Lead officer	Status	Start date	Draft report date	Final report date
	effectiveness based on two criteria, related to a council's arrangements for: <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness. 				opinion	
Follow-up of previous external audit work.	A follow-up of recommendations from previous external audit work.	Corporate Director Finance & Efficiency	This will be completed throughout the audit and reported in my annual audit letter.	January 2011	September 2011	

Grant claims 2010/11							
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 2011		30 November 2011	
HOU01	Housing Subsidy	Jane Rees		30 September 2011		31 December 2011	

HOU02	Base data return	Jane Rees		31 August 2011		7 October 2011
HOU21	Disabled facility grant	Paul Swaffield/ John Exeley		30 June 2011		28 October 2011
LA01	NNDR	Adrian Wood		24 June 2011		23 September 2011
CFB06	Pooling of Housing Capital Receipts	Debbie Williams		30 June 2011		30 September 2011

Note:

The above list is where a return is definitely required. Other returns may be relevant to the Council and the Council will need to ensure claims are submitted on time. Submission dates quoted are subject to final confirmation from the appropriate government department.

The Audit Commission

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

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

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

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www.audit-commission.gov.uk

Interim memo

Oxford City Council

Audit 2010/11

June 2011

DRAFT

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

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Review of key financial systems

Introduction

1 This report sets out the findings from our interim audit in preparation for our work on the 2010/2011 financial statements for the Council. The report covers the following areas:

- our audit approach to ensure compliance with the International Standards on Auditing;
- identification of any issues found during our review of the control environment operated by the Council; and
- an assessment of the key controls in the material information systems that we use to inform our financial statements planning.

2 Our respective responsibilities and work carried out are described below, followed by our main conclusions and the detailed report.

Background

3 When planning and performing our work we have a statutory duty to comply with the Commission's Code of Audit Practice and must also meet the requirements of the International Standards on Auditing United Kingdom and Ireland (ISA UK&I).

4 The Code of Audit Practice requires review and reporting on the Council's financial statements and Annual Governance Statement (the opinion). This will be completed as part of our opinion process undertaken later this year.

5 The work we carry out at the interim stage of the audit informs this opinion process. In particular, ISA (UK&I) 315 requires us to gain an understanding of the Council and its systems to identify risks of material misstatement in the financial statements, particularly surrounding the Council's internal controls.

6 This requires us to look at each of the main information systems that drive the balances and disclosures within the financial statements.

Audit approach

7 There are two stages to the audit approach where we are considering the controls within material information systems:

- Understanding the entity - the design and implementation stage; and
- Addressing identified risks in the audit.

8 This year also sees the introduction of IFRS accounting into Local Government with the Council being required to prepare IFRS compliant accounts for 2010/11 and restated accounts for 2009/10.

9 ISA (UK&I) 315 sets out the need to gain an understanding of the entity; a stage which is necessary to be able to assess risks of material misstatement of the assertions within the financial statements and to design further audit procedures. Understanding the entity has a number of elements to it including an understanding of the Council's control environment, information systems and their control activities. The information system includes the general ledger and all the sub-systems (both financial and non-financial) that produce material entries in the financial statements.

10 We identified the following systems as significant in producing the figures within the financial statements: main accounting system, debtors, creditors, payroll, treasury management, NNDR, council tax, capital, housing benefits, housing rents, car parking.

11 We have relied upon the work of your internal auditors where possible. We then re-performed walkthrough testing and testing of some key controls.

Main conclusions

Review of IFRS restated Financial Statements for 2009/10

12 There have been significant delays with our review of the restated accounts. The Council have had difficulties in producing restated IFRS accounts and supporting working papers, and have missed several agreed deadlines. CIPFA guidance (LAAP Bulletin 80) provided an outline timetable recommending that 2009/10 restated IFRS by December 2010.

13 We began our work in January 2011 and found that only part of the restatement work had been completed, the closing balance sheet for 2008/09. It was agreed that we receive the full set of restated accounts for 2009/10 by 21 February 2011. This deadline was missed. However we started our review in late February. During our work the Council identified some key areas of fixed assets had not been included within the restated balance sheets. We also found some errors which needed correcting.

14 The work to include the missing items took longer than anticipated and it was agreed that we would stop our work and return when the work had been completed. We received the revised statements on 9 May 2011. We have resumed our work on 8 June 2011 following completion of other programmed work.

15 Due to revisions, missing statements and issues with working papers we have needed to spend more time than expected on this work. We have limited assurance at the present time. Our work is currently underway and we hope this will change once we have completed our current review. We will provide a further verbal update at the Audit committee on 30 June 2011.

Control environment

16 Our review of the control environment has not revealed any issues that may lead to a material misstatement of the financial statements.

17 We have identified some control weaknesses around the monthly reconciliations. This means we cannot place reliance on them and we will have to complete additional substantive testing at the year end.

Material information systems - key controls

18 Our review of the material information systems is substantially complete. Our review comprised of confirming that systems are operating as described (and documented) and testing the controls to confirm that they are actually operating effectively to prevent or detect/correct material misstatements (compliance testing).

19 The table below summarises our findings in relation to all material information systems and whether we are able to place reliance on the key controls within the systems or will need to undertake additional substantive testing during the opinion audit:

Table 1: **System findings**

System	Findings	Impact on opinion work
Capital	There were very few evidenced controls in place in the system that we could place any reliance on. Only evidenced controls were those over the authorisation of invoices for additions	Substantive year end testing of fixed assets.
General ledger	Control weaknesses identified: 4 out of 45 journals tested by Internal Audit were not authorised prior to input; not all of the monthly reconciliations have been produced promptly or reviewed or had reconciling differences investigated; the bank reconciliation had uncleared reconciling items from up to 1 year ago; the suspense account had not been reviewed or cleared.	We will use the high risk testing factor, which means additional testing, for testing of year end journals and substantively test the year end bank reconciliation and feeder systems.
Accounts payable (AP)	There was a difference of £2,635 on the December 2010 reconciliation between Accounts Payable system and the GL. This has now been cleared. The control should work as intended throughout the year. As this was not the case we will not be able to rely on this as a control for our work on the AP system.	We will substantively test the year end AP reconciliation.
Housing rents	Monthly reconciliations of the Tenant's control account are produced but no evidence of review was recorded.	We will substantively test at year end.

System	Findings	Impact on opinion work
Housing benefits	<p>No evidence of the operation of controls is retained. No evidence of review of the input of parameters onto the housing benefit system. This has been kept for 2011/12 parameters.</p> <p>No evidence of review on the Housing Benefits payments to the GL. There was also an unreconciled difference.</p> <p>We found some improvement from our review last year: there are now regular quality reviews of assessor's work and we can rely on these for assurance over some parts of the system.</p>	<p>Parameters and accuracy of housing benefit payments will be substantively tested as part of the grant claim audit.</p> <p>Year end reconciliation of Academy will be substantively tested.</p>
Payroll	<p>We found no weaknesses in the controls operating over the system:</p> <p>Control checks had been carried out to ensure that information from the outgoing payroll system was transferred over to the new system. Whilst the 2 systems were being run in parallel, a full reconciliation was performed.</p> <p>We also found that the monthly reconciliation between payroll and General Ledger is being reviewed and signed off each month, and monthly exception reports are being reviewed and authorised each month.</p>	Rely on controls.
Car parking	<p>There was a back log of the reconciliation between cash taken and car park machine print outs. Reconciliations from November 2010 were not performed until Feb 2011.</p> <p>The back log has now been cleared.</p> <p>We also reviewed the Council's review of the impact of the uncovered fraud. An estimate of income lost is £7,000. This is not material.</p>	Rely on controls.
Accounts receivable	<p>There are controls in place around the raising of sales orders and invoices.</p> <p>We found that monthly reconciliations of AR to GL have not been fully reconciled or reviewed for all months.</p>	Substantively test year end reconciliations.

System	Findings	Impact on opinion work
Treasury management	Weakness in controls identified: lack of checking of authorised investments back to the 3rd party documentation for part of the year.	Substantively test investments.
Council tax	There are weaknesses in controls: monthly reconciliations have not been performed effectively. There are unreconciled differences.	Substantively test year end reconciliation.
NNDR	Weaknesses have been identified with the monthly reconciliations. There was no evidence that the system parameters had been checked once input. Controls were found to be in place around the checking of Valuation Officer reports to the system and implementing the required changes.	Substantively test year end reconciliation. Substantively check parameters.

Source: *Interim audit work*

20 A summary of the key issues arising from our interim work is attached at Appendix 1 together with our recommendations.

Appendix 1 Action Plan

Recommendations

EX 1 - IFRS work - issues around working papers, supervision and review prior to audit

Matters arising:

Finding

The audit of the IFRS restated accounts has been a lengthy and time consuming process. Several agreed deadlines for the production of statements and papers have not been met. There have been several different versions of the statements and supporting working papers. We have spent a significant amount of time requesting further information to support the figures in the statements and also the rationale and thinking behind the approaches adopted. There were also minor wording errors on the comprehensive I and E, the cash flow statement and the movement in reserves statement. This could have been minimised if there had been better project management of the production of the statements and papers and sufficient management review prior to passing them to us to audit.

Recommendation

1. Undertake management supervision and review as the work progresses, rather than just at the end of the process.
2. A uniform approach to working papers would allow the process to be easier to review and audit. Working papers should say who has prepared them and when.
3. Working papers should explain where the information has come from and include a key to explain any colour coding used.
4. Supporting working papers should be given a reference number which could then be cross referenced to the main statements.
5. To ensure we are using the latest version of each working paper, version control should be introduced and maintained.
6. Carry out a review of the whole of the accounts and supporting papers before they are passed to us to audit, including a "sense" check. This would help ensure that working papers are consistent with each other.
7. Ensure that the review includes proof reading to identify and address wording errors.

This should help to reduce the potential for error and omission.

Priority

3

Responsibility

Response

Awaiting response

Recommendations

EX 2 - IFRS work: review of Leases - reconciliation of total valuations to carrying value per accounts

Good Practice:

Finding

When testing the lease sample, the valuations for Investment properties in excess of £500k was obtained. One property on the list (E110) was carried at a value of £1.45m instead of its most recent valuation of £1.07m.

Recommendation	Properties should be checked once revaluation update exercise is carried out and the correct values should then be used in the accounts
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 3 - IFRS work: Leases – Cinema

Matter Arising:

Finding

George St Cinema is carried in the accounts at £2.3m. It was leased, but the lease has ended and not yet been re-negotiated. Under IFRS restatement, correct classification cannot be definitively set unless important relevant detail is known - e.g rent, term, etc.

Recommendation	The lease should be renegotiated to ensure the correct accounting treatment is applied
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 4 - IFRS work: Comprehensive I&E narrative, cash flow and movement in reserves statements - changes needed

Matter Arising:

Finding

We found a number of minor wording errors in these statements which need to be amended

Recommendation	Correct the wording errors in the statements so they are inline with the template / code
-----------------------	--

Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 5 - Controls testing: Car parking missing records

Matter Arising:

Finding
 At the time of our first audit visit, car parking audit tickets and income sheets missing for the period 31/3/10 to 9/10/10 and could not be audited.
 These have since been located.

Recommendation	Ensure all records are kept in a safe place and are available for audit.
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 6 - Controls testing: Car parking income reconciliations

Matter Arising:

Finding
 Due to staffing issues during the year, from mid-November 2010 to mid-February 2011 daily cash reconciliations to audit tickets were not performed on a timely basis. Procedures to clear the accumulated backlog commenced on 15 February. As a consequence, it was not possible to resolve all variances between amounts collected and the audit tickets for days in this period.

Recommendation	Reconciliations are carried out and cleared on a timely basis.
Priority	3
Responsibility	
Response	Awaiting response

Recommendations

EX 7 - Controls testing: CCTV camera for car parking

Matter Arising:

Finding
 There is a camera and microphone in the car park office at Westgate that captures both actions and

sound since the new procedures have been introduced.

However, none of the footage has been reviewed at the time of our audit.

Recommendation	Time must be made in the car park manager's diary to review random footage from the camera
Priority	3
Responsibility	
Response	Awaiting response

Recommendations

EX 8 - Controls testing: Monthly reconciliations

Matter Arising:

Finding

We found several monthly reconciliations were either not being prepared on a timely basis; not being reviewed or reconciling items were not investigated or cleared promptly.

For instance:

- from work looking at bank reconciliation in year the General Fund bank reconciliation is reviewed but outstanding items of up to 1 year ago have not been cleared.
- the Interface I-Trent and Agresso - reconciliation is not reviewed.
- payroll control accounts - no evidence of who prepares the reconciliation or who reviewed it and when.
- cash and refunds reconciliation - there is no evidence of who has prepared these reconciliations.
- refund reconciliation has not been fully reconciled to Agresso; there has been a £172.50 difference from 14/9/10 until 23/2/11.
- there is a difference of £2,635 on the December AP to Agresso reconciliation. This has subsequently been cleared (25 Feb 2011)
- there is a difference of £11,087.23 on the December NNDR reconciliation.
- the Council tax refunds reconciliation for February has a difference on it of £909.39
- the HB payments Academy to Agresso reconciliation was not reviewed and had a difference of £0.46 on it.
- there is no evidence on the housing rents cash received to agresso reconciliation of who prepared it and this reconciliation is not normally reviewed.
- there is no evidence on the Tenants Control Account reconciliation of who prepared it and this reconciliation is not normally reviewed
- at the time of our review on 24th February 2011, the last review of the suspense account had taken place at the end of November. It was not clear there was a balance of £913.07. It had been reviewed but not dated.

Recommendation	Ensure that all reconciliations are performed on a timely basis. Consider not signing reconciliations off as reviewed until they fully
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reconcile.

Consider having a standard format for reconciliations

Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 9 - Controls testing: Fleet Plan authorised signatory list

Matters arising:

Finding

The authorised signatory list was not available on site at the time of our audit

Recommendation	Ensure an up to date authorised signatory list is available on site
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 10 - Controls testing: Weak control over authorisation of purchase invoices

Matter Arising:

Finding

During testing of purchase invoice authorisation control, it was observed that one form (Housing Benefit Overpayment Refund) required only initials for authorisation rather than a signature.

Recommendation	All purchase invoice authorisation forms should require a signature, and this should be matched to the signatures on the Authorised Signatory List.
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 11 - Controls testing: No formal review of Housing Benefit parameters

Matter Arising:

Finding

Parameters on Academy System are input by Pauline Hull and reviewed by three members of the

benefits team.

However there is no formal evidence of this review.

This was also raised from last years audit and a recommendation was given that evidence of review was required but it was too late to be implemented in 2010/11.

If this evidence is maintained we can then test the operation of the control instead of substantive testing of the changes to parameters.

Recommendation	The benefits team should keep some evidence of the review of the housing benefits parameters.
Priority	2
Responsibility	
Response	From our discussions with the Housing Benefits manager, evidence of the review of the change in parameters will be taking place for 2011/12.

Recommendations

EX 12 - Controls testing: No formal review of Business Rates parameters

Matter Arising:

Finding

There is no evidence of review of the update of parameters onto Academy regarding NNDR rates. 2 people update the parameters and check each others input at the end but there is no evidence of this.

If this evidence is maintained we can then test the operation of the control instead of substantive testing of the changes to parameters.

Recommendation	The team should keep evidence of the review of the business rates parameters.
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 13 - Controls testing: Lack of confirmation checks of Investments in the year

Matter Arising:

Finding

There is no evidence that authorised investments are checked to third party documentation (broker's note and/or investee document) during the year.

Recommendation	The loan ticket (where the authorisation to invest is made) should be reconciled to the 3rd party documentation for all transactions (including money market transactions) and signed as checked by an officer independent of placing or inputting the order or of the authorisation to invest.
Priority	2
Responsibility	
Response	Awaiting response

Recommendations

EX 14 - Audit Commission recommendations: Missing from Audit Progress report

Matter Arising:

Finding	A report was presented to the Audit Committee on internal & external auditors' recommendations. We reviewed the report and found a number of our recommendations were missing.
Recommendation	Progress against the tracker should be monitored and the tracker should be kept up to date. Additional recommendations should be added when they arise.
Priority	2
Responsibility	
Response	Now done and complete

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26 April 2011

Mr Peter Sloman
Chief Executive
Oxford City Council
Town Hall
St Aldate's
Oxford OX1 1BX

Direct line
0844 798 8952

Email
m-grindley@audit-
commission.gov.uk

Dear Peter

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Oxford City Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- audit of financial statements;
- value for money conclusion; and
- Whole of Government Accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ
T 0844 798 1212 F 0844 798 6187 www.audit-commission.gov.uk

Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee. The 2010/11 fee was set above scale due to increased risk in areas of the financial statement audit as previously discussed with you and the Audit and Governance Committee. For 2011/12 I plan to deliver the audit within the scale fee on the assumption that previous recommendations for improvement are implemented and that the 2010/11 audit runs smoothly.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	190,000	200,000
Certification of claims and returns	81, 500	81,500

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Corporate Director Finance & Efficiency I will then prepare a report outlining the reasons the fee needs to change for discussion with the Audit and Governance Committee.

To support the vfm conclusion I propose to review how the Council is:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and

- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Maria Grindley Engagement Lead	m-grindley@audit-commission.gov.uk 0844 798 8952	Maria is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit and Governance Committee and issuing the auditor's report.
Alan Witty Engagement Manager	a-witty@audit-commission.gov.uk 0844 798 8956	Alan's manages and coordinates the different elements of the audit work. Key point of contact for the Corporate Director Finance & Efficiency.
Susan Whipp Team Leader	s-whipp@audit-commission.gov.uk 0844 798 8967	Susan has experience of auditing the financial statements of local authorities. She will lead the on-site team in delivering the audit.

Independence and objectivity

I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity.

I consider any relationships that may affect the independence and objectivity of the team, which I am required by auditing and ethical standards to communicate to you. I need to bring to your attention the following matter. Engagement Leads are normally appointed for 5 years but there is an option to extend for a further two years if the auditor and the Audit Committee are satisfied that there are no risks relating to long association and that this is necessary to safeguard audit quality. 2011/12 will be the sixth year of my appointment at the Council. I am satisfied that there are no independence risks posed by my extension for a further two years. I believe that it would be detrimental to audit quality to make a change in Engagement Lead at this time of significant change.

The Director of Audit Policy and Regulation at the Audit Commission has approved my request for an extension but the Audit and Corporate Governance Committee also needs to approve it. I would be grateful if you could include this letter in the June agenda for their consideration.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Maria Grindley
District Auditor

cc Corporate Director Finance & Efficiency

cc Chair of the Audit and Governance Committee

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Audit and Governance Committee.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Corporate Director Finance & Efficiency)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

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Oxford City Council

Internal Audit Annual Report

Distribution List

s151 Officer
Chief Executive
Senior Management Team
Audit and Governance Committee
Leader of the Council

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Background and scope

Background to this report

The Government Internal Audit Standards (“GIAS”) and the Code of Practice for Internal Audit in Local Government in the UK 2006 require the Head of Internal Audit to provide a written report to those charged with governance timed to inform the organisation’s Annual Governance Statement (AGS). The purpose of this report is to present our annual opinion of the adequacy and effectiveness of the Council’s system of internal control. This report is based upon the work agreed in the annual internal audit plan and conducted during the year.

Whilst our report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit was agreed with the Audit and Governance Committee (A&G) and presented in our annual internal audit plan. Our opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

This report covers the period from 1 April 2010 to 31 March 2011.

Acknowledgements

Thank you to the Oxford City Council officers and members for their help over the last year

Our annual opinion

Introduction

Under the terms of our engagement we are required to provide those charged with governance with an opinion on the overall **adequacy and effectiveness** of the Council's:

- risk management;
- control; and
- governance processes.

Collectively we refer to all of these activities in this report as “**the system of internal control**”.

Our opinion is based on the audit work performed as set out in our revised 2010/11 internal audit plan agreed by A&G in March 2010. Our opinion is subject to the inherent limitations set out in the Limitations and Responsibilities section of this report.

It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect 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.

Annual opinion on internal controls

It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect 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 have planned our work so that we had a reasonable expectation of detecting significant control weaknesses. However, internal audit procedures alone, although they are 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, unless we are requested to carry out a special investigation for such activities in a particular area.

We have completed the program of internal audit work for the year ended 31 March 2011 subject to management responses being provided for the following draft reports:

- Fixed Assets (issued Feb 2011)
- VAT (issued April 2011)

The next section shows the results from each audit, including those in draft.

On the basis of audit work carried out, we have concluded that the established procedures are adequate to meet management's control objectives for the majority of systems reviewed in year.

Annual Audit Opinion

Our Internal Audit plan for 2010/11 categorised our work into the following areas:

- Key financial systems (Assurance Reporting)
- Performance and Risk Management (Assurance Reporting)
- Information Technology (Assurance Reporting)
- Value Enhancement and Consultancy (No Assurance provided)

Our Annual Audit opinion is therefore based on the outcomes of those areas where we have provided assurance to the Council. We are able to provide a separate opinion for each of these areas as follows:

Area	Opinion
Key Financial Systems	<p>As outlined in our results below, 11/15 of opinions on key financial systems were given either moderate or high assurance in year. This is a significant improvement from prior year where only 7 key financial systems gained these assurance ratings</p> <p>In particular, we have noted excellent progress in the following areas:</p> <ul style="list-style-type: none"> • Fleetplan – We had concerns last year around the purchasing process within Fleetplan. We noted significant improvements in compliance with correct procedures in year and our assurance opinion moved from limited to moderate; • Housing Rents and Payroll– Last year we issued moderate assurance opinions in these areas. All issues raised in 2009/10 have now been implemented and we were pleased to give high assurance to reflect these improvements; and • We continue to be impressed with the Council’s approach to developing its services. The Council has plans to centralise their debtors and creditors functions in 2011/12 which will significantly improve the level of control and consistency of processes in these areas. <p>Based on the outcomes of our work in this area and the significant improvements, we are able to give MODERATE ASSURANCE on the system of internal control within key financial systems.</p>
Performance and Risk Management	<p>We have performed 2 reviews around Performance and Risk Management and have issued moderate opinions in both cases. As such, we have given this area of internal control MODERATE ASSURANCE.</p>
Information Technology	<p>2/3 of our IT reports were given limited assurance. On this basis we are only able to give LIMITED ASSURANCE over the Councils IT control framework. We provide ‘limited’ assurance in our annual opinion where we have identified high or critical rated risks during our audit work on business critical systems, but these risks are not pervasive to the system of internal control <u>and</u> there are identifiable and discrete elements of the system of internal control which are adequately designed and operating effectively.</p> <p>On the basis of our findings, we are comfortable that the infrastructure around the Council’s IT systems is adequate in the main. The key risks giving rise to Limited Assurance in this area which the Council has agreed to address are:</p> <ul style="list-style-type: none"> • monitoring controls over privileged user access to iTrent and Paris • segregation of duties in the iTrent system over the Payroll calculation and authorisation functions. • Access control over workstations used in the Contact Centre <p>The Council has committed to implement actions to address all of the risks identified, and</p>

	we are confident that the impact of these will be reflected in our follow up work in 2011/12.
--	---

Though we have awarded limited assurance in the area of IT, there are no discrete issues that we believe should be considered as **Significant Control Issues** and reflected in your Annual Governance Statement

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Internal audit work conducted

Current year's internal audit plan

Our internal audit work has been conducted in accordance with our letter of engagement, GIAS, the Code of Practice for Internal Audit in Local Government in the UK 2006 and the agreed Annual Internal Audit plan.

The Revised Annual Internal Audit plan was agreed with the Audit and Governance Committee in March 2010

The results of individual audit assignments (and summary of key findings)

We set out below the results of our work in terms of the number and relative priority of findings. A number of reports are in draft stage and are awaiting management responses. These have been highlighted for reference.

Audit	Date of Fieldwork	Assignment assurance level	Number of findings			
			Critical	High	Medium	Low
Assurance Reports						
Core Financial Systems						
General Ledger	Nov 2010	MODERATE	0	0	4	3
Debtors	Nov 2010	LIMITED	0	3	6	3
Creditors	Nov 2010	MODERATE	0	0	6	6
Payroll	Nov 2010	HIGH	0	0	2	1
Budgetary Control	March 2011	HIGH	0	0	1	3
Collection Fund	Nov 2010	MODERATE	0	1	3	5
Cashiers	August 2010	MODERATE	0	0	6	3
Treasury Management	Oct 10	LIMITED	0	0	10	2
Housing Benefits	Oct 10	MODERATE	0	0	1	1
Fixed Assets	Jan 11	<i>DRAFT</i> MODERATE	0	1	4	3
VAT	March 11	<i>DRAFT</i> LIMITED	0	4	5	2
Car Parking	Oct 2010	MODERATE	0	0	4	4
Housing Rents	Oct 2010	HIGH	0	0	1	2

Trade Waste	Sept 10	LIMITED	0	2	8	2
Fleetplan	Nov 10	MODERATE	0	0	2	5
Performance and Risk Management						
Risk Management	Feb 11	MODERATE	0	1	6	1
Performance Management	Aug 10	MODERATE	0	1	14	4
Information Technology						
Firewall	Feb 11	MODERATE	0	1	1	0
IT and process level controls – PARIS and I TRENT	Aug 10	LIMITED	0	2	2	2
Data Loss Prevention	Feb 11	LIMITED	0	1	7	0
<i>Support and Value Enhancement – No opinion issued</i>						
Year end support	No significant issues noted that would impact upon our Annual Audit Opinion					
Governance/AGS Support						
Sports Development Funding						
Programme and Project Management						
Growth Funding Certification						
Post Implementation of PARIS and I Trent						

Summary of key findings

We set out below a summary of the key findings (those rated as high risk in the audit report). In addition we have outlined the rating of these issues in prior year to indicate whether issues have been implemented since our last Annual Report:

Audit review

High risk issue

Debtors

- Limited segregation of duties are in place around debt raising and cash receipting at Direct Services, City Homes and Corporate Debtors.
- A number of issues were noted regarding the accuracy of invoices across the Council. In a number of cases, invoice forms had not been signed and incorrect costing had been used. These issues were most prevalent within Direct Services (City Works)
- The review highlighted variations in debt raising and recovery procedures across the Council, as well as inconsistencies in application of controls in this area.

Collection Fund

- At the time of audit, 72% of Council Tax debt (£3.3 million) and 49% of Business Rate debt (£1.2357 million) were over 1 year old. £1.1 million of this debt was over 5 years old, with the oldest raised in 1992/3.

Fixed Assets	<ul style="list-style-type: none"> • The Council has not performed periodic reconciliations of the Fixed Asset register to supporting systems in year. Testing of the year end reconciliation will be performed as part of our close down support process.
VAT	<ul style="list-style-type: none"> • A number of errors were noted with the accuracy of the periodic VAT returns submitted in year. In addition, no checks are performed on small value invoices included in these returns. • The Council has not prepared a Partial Exemption calculation for 2009/10 at the time of audit (March 2011). This was due in September 2010. • The Council has not considered the impact of their Capital Programme on their VAT position. The Councils Partial Exemption limit may be exceeded if this is not correctly reflected. • A number of invoices included in the Councils VAT return could not be provided for audit. There is a strong likelihood that HMRC will raise an assessment and levy for these amounts if supporting documentation is not supplied.
Risk Management	<ul style="list-style-type: none"> • The Council was unable to locate their risk registers for Partnerships, Projects and Contracts when requested by audit.
ICT – ITGC and Process Walkthrough	<ul style="list-style-type: none"> • There are no monitoring controls over privileged user access to iTrent and Paris. • There is a lack of segregation of duties within the iTrent system over the Payroll calculation and authorisation functions. This increases the risk of fraud and error in the process.
City Works – Trade Waste	<ul style="list-style-type: none"> • 16/25 excess collections tested has been completed but not flagged for invoicing. • At the time of audit there was £140k of unmatched payments for Trade Waste accounts being held on customer accounts.
Performance Management	<ul style="list-style-type: none"> • No procedure notes are in place for collection of data for the NI 179 – Value for money gains since April 2008 (£) performance indicator. Considerable delays were encountered with providing information for audit testing in this area.
Data Loss Prevention	<ul style="list-style-type: none"> • Workstations used by the Contact Centre have not been restricted to only access the applications required by officers in this area. This increases the opportunity for information to be copied and intercepted.

Results of follow-up work

We have conducted follow-up work throughout the year as part of our assignment reviews. Progress on follow up of audit recommendations is being reported on a regular basis to Audit and Governance. We are pleased to note the high number of recommendations that have been certified as complete in year. A number of the high risk issued noted above were raised in prior year.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

The assessment of controls relating to Oxford City Council is as at 31 March 2011. 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 of 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 have planned our work so that we had a reasonable expectation of detecting significant control weaknesses and, if detected, we carried 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.

We have carried out sufficient procedure to confirm that we are independent from the organisation and management.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Basis of our assessment

In accordance with the Good Practice Guidance supporting the Government Internal Audit Standards, our assessment on risk management, control and governance is based upon the result of internal audits completed during the period in accordance with the Plan approved by the Accounts Audit and Risk Committee. We have obtained sufficient, reliable and relevant evidence to support the assertions that we make within our assessment of risk management, control and governance.

Limitations in our scope

The scope of our work has been limited to those areas identified in our individual Terms of Reference.

Access to this report and responsibility to third parties





This report has been prepared solely for Oxford City Council in accordance with the terms and conditions set out in our contract. We do not accept or assume any liability or duty of care for any other purpose or to any other party. However, we acknowledge that this report may be made available to third parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Appendix A Annual assurance levels and risk ratings

Annual assurance statements

Level of Assurance	Description
High	We will provide 'high' assurance in our annual opinion where we have only identified low and medium rated risks during the course of our audit work on business critical systems.
Moderate	We will provide 'moderate' assurance in our annual opinion where we have identified mostly low and medium rated risks during the course of our audit work on business critical systems, but there have been some isolated high risk recommendations and / or the number of medium rated risks is significant in aggregate. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance.
Limited	We will provide 'limited' assurance in our annual opinion where we have identified high or critical rated risks during our audit work on business critical systems, but these risks are not pervasive to the system of internal control <u>and</u> there are identifiable and discrete elements of the system of internal control which are adequately designed and operating effectively. Our assurance will therefore be limited to these elements of the system of internal control.
No	We will provide 'no' assurance in our annual opinion where we have identified critical rated risks during the course of our audit work on business critical systems that are pervasive to the system of internal control or where we have identified a number of high rated risks that are significant to the system of internal control in aggregate.

Definition of risk ratings within our individual audit assignments

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon not only the system, function or process objectives, but also the achievement of the organisation’s objectives in relation to: <ul style="list-style-type: none"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
 Medium	Control weakness that has a low impact on the achievement of the key system, function or process objectives; or This weakness has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

In the event that, pursuant to a request which you have 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”), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Internal audit
summary report for
Audit and Governance
Committee

June 2011

www.oxford.gov.uk



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1. Plan outturn

2010/11 and 2011/12 Audit Plan

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was approved by you. Our performance against this plan has been reported within our Annual Report presented at this meeting.

In addition, we have commenced planning and fieldwork for our 2011/12 reviews and will report on progress against this at your next meeting.

2. Reporting and activity progress

Final reports issued since the previous meeting

- **Budgetary Control** – An opinion of **HIGH ASSURANCE** has been provided for the Council’s budget setting and monitoring process. Only 1 moderate risk issue was noted around the delays in populating a budgetary control risk register in year.
- **Collection Fund – MODERATE ASSURANCE** has been given on the Council’s Fixed Council Tax and NNDR processes. 1 high risk issue was noted around the level of aged debt over 1 years old which has been summarised as follows:

	Debt over 1 year	Debt over 5 years
Council Tax	£3.3million (72%)	£0.954million
Non Domestic Rates	£1.257million (49%)	£0.161million

- **Firewalls** - We have given an opinion of **MODERATE ASSURANCE** on controls around the Councils Firewalls. 1 high risk issue was noted the need to improve controls around the configuration of the Councils CCTV firewall. This is mainly around the need to restrict and prevent access.
- **Performance Management** – We have reviewed the processes in place for collecting data for a number of the Councils performance indicators. 1 high risk issue was noted around the collection of data on efficiency savings (Ni179). In addition, medium risk issues were noted on a number of indicators as supporting documentation was not retained in all cases.
- **Limited Assurance Reports:** The following reports have been issued with limited assurance and as such have been brought in full for this meeting for discussion:
 - Debtors
 - PARIS and I Trent Process Level Controls
 - Data Loss
- **Year end support (Financial Accounts and Annual Governance Statement)** – We are continuing to support the Council in preparing their accounts under IFRS and the Annual Governance Statement. No formal opinion is to be issued in this area

3 - 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. We have highlighted some recent publications that may be of interest to the Council below:

Making your Property Work Harder:

The 2010 Spending Review set out far-reaching spending cuts across the public sector and has placed unprecedented financial pressure on local authorities. With local government facing funding cuts of around 26%, there is an expectation that they find savings from property while protecting the front-line.

Contrary to popular opinion, once the schools portfolio is stripped out and depressed market prices are factored in, there is not an excess of council property. Asset sales over the last 30 years have funded significant capital programmes and releasing buildings from the operational estate is no longer easy. The straightforward deals are done and the low-hanging fruit long since picked.

If public sector bodies are to avoid 'slash and burn' with the inevitable consequences for service delivery, a more challenging approach to property rationalisation that is tied to service redesign is required. This approach challenges services' dependency on assets and explores new channels of delivery.

This publication outlines how the importance of a mature property function and how property should be rationalised to drive out efficiencies in local government.

Capable Communities: Towards Citizen-Powered Public Services

Everyone is talking about the 'Big Society' as part of the next stage of public service reform, but much of the discussion to date has been abstract rather than practical. Getting citizens more involved in the design and delivery of public services has real promise as a way of empowering citizens, improving outcomes and providing better value for money. But we need to understand much better how this agenda can be translated into practice. This report asks how, in practical terms, citizens can act together to improve the way public services work for them. This can involve individuals volunteering their time to help others, but it is also about empowering people to help themselves.

Standardising processes, improving performance

Information Technology (IT) is vital to the workings of local government and underpins all of the services that councils deliver. However, the IT that supports day to day processes and activities is often needlessly complex and fails to deliver service improvements or meaningful productivity gains. In addition, despite the significant spend on IT infrastructure during the boom years of e-government, this investment has failed to deliver some of the predicted benefits of improved business processes and ready access to both information and services for customers and employees alike.

Despite this current state of play, we are optimistic for the future. We believe that the right IT will underpin more efficient operating models for councils in the future. In addition, we estimate that councils could decrease their total cost of IT by up to 20% (based on PwC's work with councils





undertaking this type of transformation journey). This can be achieved while maintaining or improving services, based on our experience of transformation work at over 40 organisations, where IT simplification is seen as a key enabler.

In this Talking Points publication we explore how councils can break out of the current vicious cycle, which leads to higher IT costs, and demonstrate how councils can simplify IT requirements to create simpler, more cost effective IT environments that support improved standard processes and models of working.

Appendix One

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Overall opinion rating:

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

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Oxford City Council Internal Audit report 2010/11

Data Loss Prevention

Final report

June 2011

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Distribution list	
For action	Adrian Orchard – Head of ICT Strategy David Oakes – ICT Manager Jackie Yates – Director of Finance and Efficiency

Agenda Item 10

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1. Executive Summary

Overall opinion	Summary of key findings																				
<p>Overall opinion</p> <p>Limited Assurance can be given on the adequacy and operating effectiveness of controls in place over data loss prevention. Our assurance ratings are defined in Appendix 1.</p> <p>Our opinion is based on the work performed as set out in the agreed terms of reference (Appendix 3) and is subject to the inherent limitations set out in Appendix 2.</p> <p>Scope and limitations of review</p> <p>We conducted a review of data loss prevention in accordance with the International Standard for Assurance Engagements 3000 “ISAE 3000”. The key objectives of the review, the scope and the limitations of scope were agreed with management in advance and set out in the terms of reference (Appendix 3).</p> <p>Key findings</p> <p>There is a risk of a data loss occurring within the Council due to the lack of controls in place to protect sensitive public and employee data. We identified a number of weak practices which could expose the Council to negative publicity and regulatory liabilities.</p> <p>The Council should develop and deploy additional procedures and controls to prevent data loss including improving technological controls, physical security controls and staff education together with the implementation of existing policies.</p>	<p>The number of key findings resulting from audit work undertaken is as follows:</p> <table border="1" data-bbox="1016 483 1765 730"> <thead> <tr> <th colspan="2">Control Design</th> <th colspan="2">Operating Effectiveness</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>Critical</td> <td>0</td> </tr> <tr> <td>High</td> <td>1</td> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>7</td> <td>Medium</td> <td>0</td> </tr> <tr> <td>Low</td> <td>0</td> <td>Low</td> <td>0</td> </tr> </tbody> </table>	Control Design		Operating Effectiveness		Critical	0	Critical	0	High	1	High	0	Medium	7	Medium	0	Low	0	Low	0
Control Design		Operating Effectiveness																			
Critical	0	Critical	0																		
High	1	High	0																		
Medium	7	Medium	0																		
Low	0	Low	0																		

2. Background and scope

Introduction

This review was undertaken as part of the 2010/11 Internal Audit Plan agreed by the Audit and Governance Committee.

This report has been prepared solely for Oxford City Council in accordance with the terms and conditions set out in our letter of engagement. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

Oxford City Council stores and processes large quantities of sensitive information which relates to individuals and Council employees, there is a risk that if this information is not processed and handled in a secure and controlled manner, this information could be released into the public domain.

This review focused on the procedures and controls in place to protect the Council against data loss when processing, handling and storing sensitive information.

Scope of review

In accordance with our Terms of Reference (Appendix 3), agreed with the Director of Finance and Efficiency we undertook a limited scope audit of Data Loss Prevention.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference. We did not review the Council's change management process or other general IT policies.

3. Overall evaluation

Summary of findings

Objective	Total number of issues	Number of control design issues			
		Critical	High	Medium	Low
Review how sensitive data is identified within the Council	0	0	0	0	0
Determine what initiatives and projects have been deployed by the Council to reduce the risk of data loss	2	0	0	2	0
Review the processes and controls around the removal and storage of data	1	0	0	1	0
Determine what controls and preventative measures are in place to stop employees leaking sensitive data through electronic mail or other web based services	1	0	0	1	0
Review the processes in place around the destruction of obsolete data and the processes around the cleansing of redundant hardware	0	0	0	0	0
Review the physical attributes that could cause or contribute to data loss including file stores and other physical storage facilities	2	0	0	2	0
Review the controls around the usage of portable storage devices	0	0	0	0	0
Review the processes and controls in place to safeguard data when being stored and during transit;	0	0	0	0	0
Review documented policies and procedures that are in place and published;	0	0	0	0	0
Review user awareness programmes, training and initiatives in place to ensure Council employees are made aware of the risks of data loss	1	0	0	1	0
Determine if appropriate IT controls are in place to protect sensitive information	1	0	1	0	0

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4. Detailed findings

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Issue 1: Management of paper based information	Control Design
Control objective: Review the physical attributes that could cause or contribute to data loss including file stores and other physical storage facilities	
Matters arising	
<p>A number of issues were identified with how paper based information is being stored, handled and destroyed within the Council, which included;</p> <ul style="list-style-type: none">• The Council has not implemented a clear desk policy, where all paper files that contain sensitive or personal information is locked away in secure storage such as filing cabinets when not in use.• Through a physical review of the Payroll department it was noted that access to the office space had not been restricted through the use of electronic swipe cards, additionally it was observed that files containing sensitive information regarding maternity leave and court summons were being stored insecurely on a shelf in the office area.• The Council has deployed confidential waste bins within offices so that paper documents that contain sensitive information can be disposed of securely. During our review we noted that the bins were located in the corridors where they can be easily accessed by unauthorised persons, additionally the confidential waste bin on the third floor outside the Payroll office was full and it was possible to remove payroll related documents from the bin.	
Risks arising	
<p>There is a risk that documents which contain sensitive or personal information will be accessed and viewed by unauthorised persons if they are left unattended on a desk.</p> <p>There is a risk that unauthorised persons will be able to access paper files and the information they contain due to inappropriate storage.</p> <p>There is a risk that sensitive documents which have been earmarked for destruction will be accessed by unauthorised persons.</p>	
Recommendations	
<p>The Council should consider implementing a clear desk policy, in which all employees are required to ensure that working areas are cleared of documents and</p>	

files at the end of each working day. Sufficient secure storage facilities should be provided to ensure all documents and files are stored securely when not in use.

The Council should ensure all paper files containing sensitive or confidential information are securely locked away when not in use, additionally the Council should ensure that access to all key areas that handle and process sensitive information is controlled through the use of swipe cards.

The Council should look at moving confidential waste bins into the secure office areas. The Council should ensure that confidential waste bins are emptied on a regular basis.

Management response

Priority

●
Medium

Management response

The Council is in the process of introducing more modern work styles, which includes a clear desk approach. This is in operation already in People & Equalities and Legal and Democratic Services. Documents containing sensitive or personal information are securely stored when not being used. The payroll/HR offices are now accessed via a swipe card and the confidential waste bin is located on the secure side of the door. A review of the facilities management arrangements (currently in progress) will ensure that bins are emptied on a regular and timely basis however in the meantime staff will be vigilant to ensure the bins are emptied regularly.

PwC Comment


Given that the Council were undergoing a process of refurbishment when this work was carried out, it has been deemed that a higher level of risk would be expected at this time. As such, this issue has been reflected as “medium risk”

Action plan

By Whom:


Clear Desk Policy: Head of People and Equalities

Facilities Management and Security: Facilities Manager

Issue 2 Physical security		Control Design
Control objective: Review the physical attributes that could cause or contribute to data loss including file stores and other physical storage facilities		
Matters arising		
<p>We identified a number of issues with physical security at the Town Hall including;</p> <ul style="list-style-type: none"> • We were not requested to register with reception on our arrival; • We were not challenged by the receptionist when accessing the corridor leading to the office area; • The staff entrance door which is normally controlled by swipe cards was left open all day as workmen were carrying out building repairs; • We were able to access office areas without challenge, by knocking on doors and asking to be let in; and • A redundant Personal Computer had been left in a corridor outside the Payroll office. 		
Risks arising		
<p>There is a risk that unauthorised access may be gained to Council buildings and sensitive data held in both paper and electronic formats. Additionally there is a risk that unauthorised person accessing the building may expose a threat to Council employees.</p> <p>There is a risk that redundant equipment left unattended in open areas may be stolen, and any information stored on the equipment will be accessible by unauthorised persons.</p>		
Recommendations		
Physical security at the Town Hall requires improvement. A full physical security assessment should be performed to review how access to the building is controlled, managed and restricted to only authorised individuals.		
Management response		
Priority  Medium	Management response A report has been commissioned from the Interim Facilities Manager to consider options for improvement to the physical security of the building. These are complex due to the public nature of the building and its listed status. The report will be considered by the Corporate Management Team at the end of May.	Action plan By whom: Interim Facilities Manager Implementation date: May 2011

PwC Comment


Given that the Council were undergoing a process of refurbishment when this work was carried out, it has been deemed that a higher level of risk would be expected at this time. As such, this issue has been reflected as “medium risk”


Issue 3 Contact centre workstations		Control Design
Control objective: Determine if appropriate IT controls are in place to protect sensitive information		
Matters arising		
<p>Workstations used by the Contact Centre have not been restricted to only access the PARIS application and other key applications required to take payments over the phone.</p> <p>The workstations in the Contact Centre were of a standard Council build, which are deployed all Council departments,</p>		
Risks arising		
<p>There is a risk that members of the Contact Centre will have the ability to copy card payment details to a file on their machine, this file could then be copied on to a USB storage device or e-mailed out to a personal e-mail account.</p> <p>Additionally there is a risk that the machines in the Contact Centre may become infected with malware; which could be running in the background copying all keystrokes and sending this information out through the Internet.</p>		
Recommendations		
Workstations used by the Contact Centre should have strict restrictions applied. Internet access and external e-mail access should be disabled along with all USB ports, wireless, infra red and any other communication port.		
Management response		
Priority  High	Management response This matter needs to be reviewed fully in conjunction with ICT before any restrictions are applied, in particular to: <ol style="list-style-type: none"> 1. Confirm whether usb ports or DVD drives are required, especially if any software is required to be installed directly on machines rather than via remote servers. 2. Consider the impact on the contact centre of disabling internet access and external e-mail. 3. Consider the implications of other media staff may have access to, including mobile phones. 	Action plan By whom: Head of Customer Services and Head of ICT Implementation date: 30.09.11


4. Consider whether any restrictions that we recommend should also apply to other staff in the Council.
5. Consider more intensive data protection training & follow up including ICT security policies, monitoring e-mail and internet usage.


Issue 4 Information security training and awareness	Control Design
<p>Control objective: Review user awareness programmes, training and initiatives in place to ensure Council employees are made aware of the risks of data loss</p>	
<p>Matters arising</p>	
<p>The Council has developed a computer based training (CBT) programme to educate and inform Council employees on how to securely manage and handle sensitive and personal information. All new joiners have completed the training, however not all existing Council employees have registered and completed the training.</p> <p>The Council has deployed the ICT security policy and the E-mail and Internet policy to inform Council employees of how they should securely use Council provided systems. All employees are required to sign and return a form to confirm they have read and agree to the policy; however there is no means to confirm how many employees have read and agreed to the policy.</p> <p>Additionally the Council has not rolled out a continuous user awareness programme in which users are reminded of how to protect and handle sensitive Council information on an ongoing basis.</p>	
<p>Risks arising</p>	
<p>There is a risk that Council employees that have not completed the CBT training may not be aware of the processes and procedures they should follow when handling and processing sensitive information. This could result in sensitive information being leaked into the public domain.</p> <p>There is a risk that if all Council employees have not read and agreed to the Council's policies, some users will be unaware of how to securely use Council provided systems, resulting in poor practices being followed which could result in a data loss.</p> <p>There is a risk that without an ongoing user awareness programme in place, Council employees will not handle and store sensitive information in a secure manner.</p>	
<p>Recommendations</p>	
<p>The Council should make the CBT training a mandatory requirement by all employees. Individuals who have not completed the training should be identified and reminded of the requirement to complete the training. If individuals fail to meet deadlines to complete the training line managers should be informed and appropriate action taken.</p> <p>The Council should implement a process to monitor which employees have read and agreed to the Council's information security policies, for employees that have not read and agreed to the policies, reminders should be sent to individuals and line managers.</p> <p>The Council should develop an ongoing awareness campaign which could include the use of posters and e-mails reminding users of how to handle and process Council information.</p>	

Management response		
Priority	Management response	Action plan
<p>●</p> <p>Medium</p>	<p>As the auditors state there is CBT training on security awareness and there is an acceptable use section to be signed in the security policy. We agree that this needs to be checked to ensure new employees have signed, and ICT will work with P & E to create a mechanism to achieve this.</p>	<p>By whom: Head of People and Equalities and Head of ICT</p> <p>Implementation date: June 2011</p>

Issue 5 Web Based Email		Control Design
Control objective: Determine what controls and preventative measures are in place to stop employees leaking sensitive data through electronic mail or other web based services		
Matters arising		
The Council has not restricted access to web based e-mail services such as Hotmail and Gmail (Google email).		
Risks arising		
There is a risk that Council staff could e-mail sensitive information out of the Council using a web based e-mail service		
Recommendations		
The Council should examine controlling web based e-mail services and other web based applications such as Facebook that could be used to send sensitive information out of the Council		
Management response		
Priority  Medium	Management response <p>The Council has begun to use social media sites more frequently and the Corporate Management Team has agreed that their use will increase in the future as a means of communicating with residents and communities. CMT has agreed and publicised a protocol regarding the use of these sites and believes that the potential benefits of social media outweigh the risks. The Council also has agreed Internet and Email Guidelines.</p> <p>Any ban on the use of web based services would have to include a ban on the use of mobile phones given that most phones now have some kind of access to the internet and therefore to web based services.</p> <p>One possible course of action could be for access to web based services to be controlled only for those employees that have access to sensitive data.</p> <p>Leaking sensitive data through electronic mail or other web based services does not seem to pose any greater risk than someone writing sensitive information down on paper and taking it out of the Council.</p>	Action plan <p>By whom: Head of ICT and Head of Policy, Culture & Communications</p> <p>Implementation date: June 2011</p>

Issue 6 Access to USB devices		Control Design
Control objective: Review the controls around the usage of portable storage devices		
Matters arising		
Although the Council has issued employees with encrypted memory sticks they have not implemented controls to restrict users from accessing non Council issue removable media devices such as flash memory drives or removable storage devices. This issue was raised previously in the ICT Security Audit dated November 2009.		
Risks arising		
There is a risk that sensitive Council data can be copied on to removable media devices and taken off site.		
Recommendations		
The Council should look to implement software on all Council machines to prevent the use of all non Council provided devices.		
Management response		
Priority  Medium	Management response We agree with the comments that USB ports represent a threat. However Windows XP does not offer the facility to selectively allow writing to only council encrypted memory sticks. We could disable the USB ports altogether, but this would prevent all other USB devices from working, including mice on laptops. This would not be a workable solution. We are beginning the planning of the upgrade to Windows 7, which will offer the facility to restrict usage closer to the recommendations made here. However, this may not solve all these USB issues as there will be cameras, iPads, mobile phones etc which will have similar capabilities. County ICT who manage this aspect of our systems have therefore made a policy decision that this should be managed by Council acceptable use policy. We will review the potential of hardware restriction as we plan the Windows 7 design, and will amend the policy on USB sticks accordingly. We agree with the comments regarding the USB ports.	Action plan By whom: ICT Client Manager, David Oakes Implementation date: To be agreed with County ICT




Issue 7 Protective marking		Control Design
Control objective: Determine what initiatives and projects have been deployed by the Council to reduce the risk of data loss		
Matters arising		
The Council has documented a protective marking system in the in the ICT security policy document, but the there is no evidence that documents have been marked accordingly. Through discussions with representatives from the Finance and Payroll department we were informed that documents were not being marked in line with policy.		
Risks arising		
The Council will be unaware of the sensitivity of some of the data and information that it holds and the security controls and management practices required to prevent unauthorised access, theft or disclosure of this information.		
Recommendations		
The Council should ensure all employees are aware of the requirement to mark all documents. Additional training and guidance should be provided to all staff to reinforce the requirement to protectively mark all documents.		
Management response		
Priority  Medium	Management response Agreed. Current City ICT systems do not have the capability of enforcing this policy. This is something that will be reviewed as part of the ICT Strategy refresh.	Action plan By whom: Head of ICT Implementation date: July 2011


Issue 8 User account validation reviews		Control Design
Control objective: Determine what initiatives and projects have been deployed by the Council to reduce the risk of data loss		
Matters arising		
The Council does not have an ongoing process in place to review user accounts and system privileges on a periodic basis.		
Risks arising		
There is a risk that redundant accounts which have not been removed could be used to gain unauthorised access to the Council's systems. Additionally there is a risk that individuals may have access to systems containing sensitive data which they are no longer permitted to access.		
Recommendations		
The Council should introduce a process to ensure all user accounts and permissions are reviewed on a periodic basis.		
Management response		
Priority  Medium	Management response <p>Agreed. To facilitate this requires two separate activity streams. Firstly a robust notification of leavers' policy in which ICT is informed of the exit of both permanent and temporary staff. Secondly, County ICT to review network accounts unused for a set period of time.</p> <p>We are working with County ICT and P & E to achieve these objectives.</p>	Action plan <p>By whom: Head of People and Equalities/ ICT Client Manager</p> <p>Implementation date: Sept 2011</p>

Appendix 1 – Basis of our opinion

Individual risk ratings

Each of the control weaknesses identified have been categorised according to risk as follows:

Risk rating	Assessment rationale
Critical 	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the organisation’s operational objectives as set out in its operational plan; or • Material financial impact on the organisation (quantify); or • Significant breach in laws and regulations resulting in severe fines or consequences; or • Critical impact on the reputation of the organisation which could threaten its future viability
High 	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Significant financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which are significant to the system, function or process under review but not the overall organisation; or • Significant impact on the reputation of the organisation
Medium 	A control weakness that could have a: <ul style="list-style-type: none"> • Moderate impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Moderate financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which impact but are not significant to the system, function or process under review; or • Moderate impact on the reputation of the organisation.

Low 	<p>A control weakness that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Minor financial impact on the organisation (quantify); or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation
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Assurance ratings

The table below details the assurance ratings for grading individual audits:

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

Appendix 2 – Limitations and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken this review of data loss prevention subject to the limitations outlined below. This is an independent assurance report and our work has been performed in accordance with ISAE 3000 (“International Standard on Assurance Engagements”).

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

The assessment of controls relating to data loss prevention is at the present date. 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 shall 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, unless we are requested to carry out a special investigation for such activities in a particular area.

Appendix 3 – Terms of Reference

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Objectives

Oxford City Council stores and process large quantities of sensitive information which relates to individuals and Council employees, there is a risk that if this information is not processed and handled in a secure and controlled manner, this information could be released in to the public domain.

Deliverables

Our deliverable will be a report detailing our findings; all findings will be rated in relation to the severity of the issue and the likelihood of an occurrence.

Information Requirements

Listed below is information that may be required at the commencement of the audit:

- Information security policy;
- Data classification policy;
- Data destruction policy;
- User awareness training material;
- Clear desk policy;
- Backup and restoration procedures;
- Organisational charts;
- HR policies.

The list is not intended to be exhaustive. Evidence should be available to support all operating controls. Other information arising from our review of the above documentation may be requested on an ad hoc basis.

Scope and Approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Considering whether the policies and procedures in place are fit for purpose;
- Determining if appropriate technical countermeasures have been deployed to reduce the risk of a data breach; and
- Interviewing key Council employees responsible for the safeguarding of Council information.

Our key areas of focus are:

- Initiatives and projects deployed by the Council to counter the risk of data loss;
- The processes and controls around the removal and storage of data;
- Controls around preventative measures in place to stop employees leaking sensitive data through electronic mail or other web based services;
- The process of destroying obsolete data and the process of cleansing redundant hardware;
- Access control restrictions are applied to file stores and other physical storage facilities;
- Controls around the usage portable storage devices;

- Controls around detecting Money Laundering activities through the Councils websites;
- Processes and controls are in place to safeguard data when being stored and during transit;
- Documented policies and procedures are in place and published; and
- User awareness programmes and initiatives in place to ensure Council employees are made aware of the risks of data loss.

Limitations of Scope

The scope of our work will be limited to those areas identified in the terms of reference

Stakeholders and responsibilities

Role	Contact	Responsibilities
Director of Finance and Efficiency	Jackie Yates	<ul style="list-style-type: none"> • Review draft terms of reference • Review and meet to discuss issues arising and develop management responses and action plan • Review draft report. • Implement agreed recommendations and ensure ongoing compliance.
ICT Manager Head of ICT Strategy	David Oakes Adrian Orchard	
Head of Finance	Nigel Kennedy	<ul style="list-style-type: none"> • Receive agreed terms of reference • Receive draft and final reports.

Chief Executive	Peter Sloman	<ul style="list-style-type: none"> • Receive final report
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Our team

Role	Contact
Chief Internal Auditor	Chris Dickens
Audit Manager	Neil Ward
Auditor	Pritesh Pardivalla

Timetable

The timetable for this review is as follows:

TOR approval	January 2011
Fieldwork commencement	February 2011
Fieldwork completed	T + 8 days
Draft report of findings issued	T + 3 weeks
Receipt of Management response	T + 5 weeks
Final report of findings issued	T + 6 weeks

Our budget for this assignment is 8 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

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In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cherwell District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC and Cherwell District Council discloses this report or any part thereof, 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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Oxford City Council Internal Audit Report 2010/11

Debtors

Final Report

June 2011

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Distribution list		
For action	Anne Harvey Lynch	Revenues Manager
For information	Nigel Kennedy	Head of Finance
	Jackie Yates	Corporate Director for Finance and Efficiency
	Peter Sloman	Chief Executive

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This report has been prepared solely for Oxford City Council. In accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

1. Executive Summary

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Overall Opinion	Summary of Key Findings																																								
<p>Overall opinion</p> <p>Limited Assurance can be given on the adequacy and operating effectiveness of controls in place over debtors. Our assurance ratings are defined in Appendix 1.</p> <p>Our opinion is based on the work performed as set out in the agreed terms of reference (Appendix 3) and is subject to the inherent limitations set out in Appendix 2.</p> <p>Scope and limitations of review</p> <p>We conducted a review of debtors in accordance with the International Standard for Assurance Engagements 3000, "ISAE 3000". The key objectives of the review, the scope and the limitations of scope were agreed with management in advance and are set out in the terms of reference (Appendix 3).</p> <p>Direction of travel</p> <p>The 2009/10 review of debtors also received Limited Assurance. Less than 50% of the prior year recommendations have been fully addressed, and there are a number of high risk control weaknesses which reduce the level of assurance that can be gained from the system.</p> <p>The high risk issues relate to segregation of duties within the system (potential fraud risk), accuracy of invoices raised and level of bad debt (potentially reducing cash flow). The Business Process Improvement (BPI) project, which has been commissioned to facilitate the centralisation of the debtors function (among other workstreams), will create a larger debtors team which, if comprehensively trained will help to address many of the issues highlighted by this review.</p>	<p>The number of key findings resulting from audit work undertaken is as follows:</p> <table border="1" data-bbox="1263 515 2013 762"> <thead> <tr> <th colspan="2">Control Design</th> <th colspan="2">Operating Effectiveness</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>Critical</td> <td>0</td> </tr> <tr> <td>High</td> <td>1</td> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>5</td> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>3</td> <td>Low</td> <td>0</td> </tr> </tbody> </table> <p>Follow Up of Prior Year Recommendations</p> <table border="1" data-bbox="1263 919 2031 1198"> <thead> <tr> <th></th> <th>Implemented</th> <th>Partially Implemented</th> <th>Outstanding</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>High</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>4</td> <td>3</td> <td>2</td> </tr> <tr> <td>Low</td> <td>2</td> <td>0</td> <td>2</td> </tr> </tbody> </table>	Control Design		Operating Effectiveness		Critical	0	Critical	0	High	1	High	2	Medium	5	Medium	1	Low	3	Low	0		Implemented	Partially Implemented	Outstanding	Critical	0	0	0	High	1	0	1	Medium	4	3	2	Low	2	0	2
Control Design		Operating Effectiveness																																							
Critical	0	Critical	0																																						
High	1	High	2																																						
Medium	5	Medium	1																																						
Low	3	Low	0																																						
	Implemented	Partially Implemented	Outstanding																																						
Critical	0	0	0																																						
High	1	0	1																																						
Medium	4	3	2																																						
Low	2	0	2																																						

2. Background and Scope

Introduction

This review was undertaken as part of the 2010/11 Internal Audit Plan agreed by the Audit and Governance Committee.

This report has been prepared solely for Oxford City Council (“the Council”) in accordance with the terms and conditions set out in our letter of engagement. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

This report reflects our findings over the controls and processes in place to manage debtors as at the time of our internal audit fieldwork which took place during December 2010.

The debtors function is devolved to the following delegated departments:

- Corporate and Sundry Debtors;
- Collection Fund;
- Oxford City Homes;
- Oxford City Works; and
- Housing Benefit Overpayments.

We have conducted specific reviews of the end-to-end processes for the Collection Fund and Housing Benefits and any recommendations relating to debtors have been raised solely in those individual reports.

Approach and Scope of review

Our work is designed to comply with Government Internal Audit Standards and the CIPFA Code.

In accordance with our Terms of Reference (Appendix 1), agreed with the Revenues Manager, we undertook a limited scope audit of debtors.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

3. Overall Evaluation

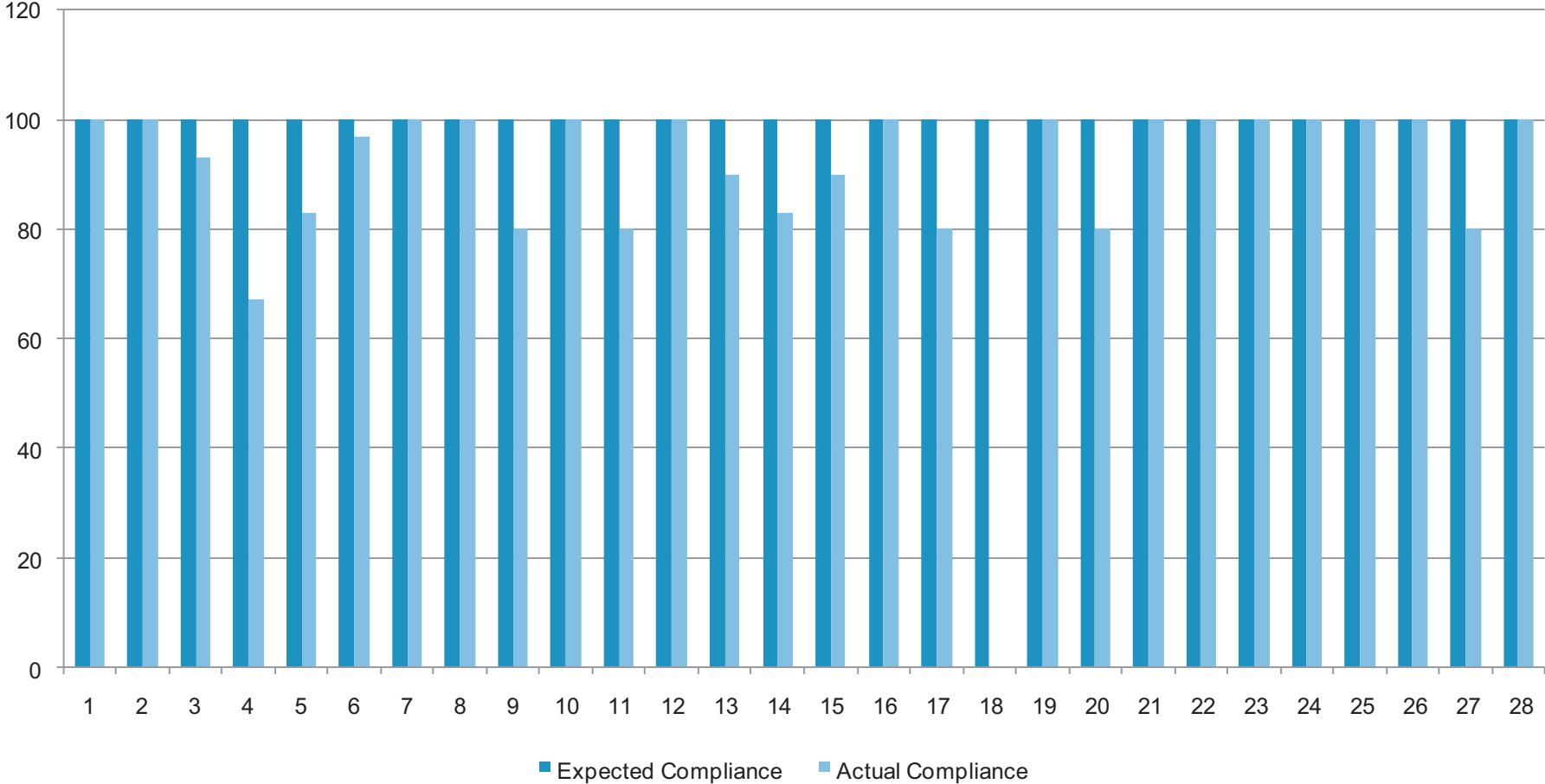
Summary of findings

Objective	Total number of issues	Number of control design issues				Number of operating effectiveness issues			
		Critical	High	Medium	Low	Critical	High	Medium	Low
All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.	5	0	1	2	0	0	1	1	0
All payments are received completely, accurately and in a timely fashion.	1	0	0	0	1	0	0	0	0
Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and losses of credit income are minimised.	4	0	0	3	1	0	0	0	0
The system is protected against unauthorised access/processing and is secure against loss or damage of data.	2	0	0	0	1	0	1	0	0

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Compliance Summary

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Tests Performed:

1. Up-to-date procedure notes are in place (All Revenue Streams).
2. Standardised invoice request forms have been used (Corporate Debtors).
3. Invoice details agree to the invoice request form used (Corporate Debtors).
4. Segregation of duties has been maintained in invoice raising process (Corporate Debtors).
5. Invoice details have been checked for accuracy (Corporate Debtors).
6. Time taken to process the invoice request is timely i.e. within one month of initial request (Corporate Debtors).
7. Standardised invoice request forms have been used (Oxford City Works).
8. Invoice details agree to the invoice request form used (Oxford City Works).
9. Segregation of duties has been maintained in invoice raising process (Oxford City Works).
10. Invoice details have been checked for accuracy (Oxford City Works).
11. Time taken to process the invoice request is timely, i.e. within one month of initial request (Oxford City Works).
12. A completed works order exists for all invoice raised (Oxford City Homes).
13. Time taken between job completion and an invoice being raised is timely (Oxford City Homes).
14. Invoice details agree to Servitor (Oxford City Homes).
15. Segregation of duties has been maintained in invoice raising process (Oxford City Homes).
16. Amendment forms have been used for all credit notes raised (All Revenue Streams).
17. Segregation of duties has been maintained between credit note request and authorisation (Corporate Debtors).
18. Segregation of duties has been maintained between credit note request and authorisation (Oxford City Works).
19. Segregation of duties has been maintained between credit note request and authorisation (Oxford City Homes).
20. Amendments made to standing data are supported with appropriate documentation (Corporate Debtors).
21. Amendments made to standing data are made by appropriate personnel (Corporate Debtors).
22. Reconciliations between the general ledger and accounts receivable are performed on a monthly basis (All Revenue Streams).

4. Findings and Recommendations

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Issue 1: Segregation of Duties – All Revenue Streams		Control Effectiveness
Control objective: The system is protected against unauthorised access/processing and is secure against loss or damage of data.		
Matters arising		
Testing conducted within City Works highlighted that one officer is authorised to raise invoices, collect cash and raise a credit note against a debt. In addition, it was noted that 3/5 employees with Agresso access can raise invoices and credit notes, as well as having cashier access on Paris. Although this related to Oxford City Works, lack of compliance with segregation of duties controls was noted throughout the Council as follows:		
<p>Oxford City Homes - For 3/30 invoices tested, segregation of duties was not maintained between the person completing and authorising the works order.</p> <p>Oxford City Works - 5/5 credit note authorisation forms tested the credit note had been raised and authorised by the same person. For 4/20 invoice request forms tested, the requestee was the same person as the same person authorising the invoice request form</p> <p>Corporate Debtors and Periodic Payments - For 10/30 invoice request forms tested, the requestee was the same person as the same person authorising the invoice request form. During testing of credit note request forms it was noted that 4/20 forms were requested and approved by the same person.</p>		
Risks arising		
Inadequate segregation of duties increases the risk of fraud and misappropriation.		
Recommendations		
The Authority should establish clear policies and procedures with regards to segregation of duties. Best practice would indicate that a separate officer should be responsible for the completion of the works order and its subsequent authorisation. This policy should be detailed in procedure notes and communicated to all departments. Spot checks should be performed on a sample of transactions to ensure adherence to policies.		
Management response		
Priority	Management response	Action plan
High ●	Agreed. Inappropriate access will be removed with immediate effect to ensure that adequate segregation of duties is upheld. In addition, it is acknowledged that due to the current format of the invoice request form, authorisation cannot be proved and this will be amended. The Council's Good Practice Guide will be updated and circulated to departments.	<p>By whom: Paul Jemetta</p> <p>Implementation date: Immediate</p> <p>By whom: Nicki Pierce</p> <p>Implementation date: 30/06/11</p>

Issue 2: Invoice raising <i>de minimis</i> – All Revenue Streams		Control Design
Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and loss of credit income is minimised.		
Matters arising		
No formal <i>de minimis</i> value exists in relation to the raising of invoices.		
Risks arising		
Raising debts below a <i>de minimis</i> level is not cost efficient.		
Recommendations		
The Authority should consider the introduction of a <i>de minimis</i> level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level. It is acknowledged that it is appropriate to have certain exemptions from this rule (e.g. court charges), but these should be formally documented.		
Management response		
Priority Low ●	Management response Agreed. A <i>de minimis</i> level for invoices raised will be set and implemented from 1 February 2011. This will be incorporated into the Good Practice Guide and circulated to all departments.	Action plan By whom: Nicki Pierce Implementation date: 30 June 2011

Issue 3: Accuracy of invoice request forms and invoices – All revenue streams		Control Effectiveness
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
<p>During testing of invoices across the Council a number of issues were highlighted with regard to the accuracy of invoice request forms, resulting in inaccuracies with the subsequent system input. Within Corporate Debtors, we noted that 5/30 invoice request forms had not been signed and dated to confirm that the details had been checked; 1/30 invoice request forms did not agree to the invoice; and in 1/30 invoices tested, the invoice check had been performed before the date of the initial request on 01/08/2010.</p> <p>Within Oxford City Homes, we noted that the incorrect pricing method had been used in 5/30 cases tested. As details were not checked before the invoices were sent, this was not subsequently corrected.</p> <p>In addition, within Oxford City Works, no invoice request form was used in 15/20 cases tested.</p>		
Risks arising		
Work is duplicated, resulting in inefficiencies and additional costs to the Council. Invoices raised may be inaccurate leading to over or underpayment.		
Recommendations		
<p>Staff should be reminded of the importance of accurately raising invoice request forms. Management should consider the introduction of sample checks to allow them to obtain comfort over the accuracy of invoices requested and subsequently raised. Such checks should ensure that authorisation is evidenced, that all input and pricing details are accurate.</p> <p>In particular, Oxford City Works should date stamp when they receive invoice request forms or other supporting documentation to help monitor this more closely and identify those departments who are particularly slow at raising accounts.</p>		
Management response		
<p>Priority High ●</p>	<p>Management response</p> <ul style="list-style-type: none"> Agreed. The good practice will be updated and circulated to highlight the need for accuracy and for documentation of the checking process. The Finance Technician or other members of the Finance unit will check invoices before final print generation. Within Oxford City Homes, the recharge procedure (which includes the process for raising of invoices by Finance) will be updated by end of January 2011. The Incomes Officer will check costs against Servitor to resolve any issues with committed price/costs on an ongoing basis. Within Oxford City Works, invoice request forms or substitute information will now be date stamped and retained when received. 	<p>Action plan</p> <p>By whom: Nicki Pierce Implementation date: 30/06/11</p> <p>By whom: Suzan Smart Implementation date: Immediate</p> <p>By whom: Ivana Ilic Implementation date: 31/01/11</p> <p>By whom: Paul Jemetta Implementation date: Immediate</p>

Issue 4: Timely Raising of Invoices – All revenue streams		Control Effectiveness
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
A number of issues were noted when testing the timeliness of invoices raised. Within Oxford City Homes, 3/30 invoices were affected, within Oxford City Works, 4/20 were affected and within Corporate Debtors, 1/30 were affected.		
Risks arising		
Raising of debtor accounts is unnecessarily delayed leading to an adverse impact on cash flow.		
Recommendations		
Management should consider prescribing a target time for invoice raising and staff should be reminded of the importance of raising invoices on a timely basis.		
Management response		
Priority Medium ●	Management response Agreed. The good practice guide will be updated and circulated to all departments. In addition, training will be undertaken with departments as requested. The Interim Head of Finance will highlight that invoices must be raised in a timely and accurate manner. Management should consider providing training for relevant staff to ensure that debtors processes are conducted in an accurate, consistent and compliant basis across the Council.	Action plan By whom: Nicki Pierce Implementation date: 30/06/2011 By whom: Nigel Kennedy Implementation date: Immediate.

Issue 5: Direct Debit Function –Periodic Payments

Control Design

Control objective: All payments are receipted completely, accurately and in a timely fashion.

Matters arising

The direct debit function within the Agresso system is not currently used for managing periodic payments.

Risks arising

Debtors are more likely to default on payments if automated direct debits are not set up.

Recommendations

The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council’s cash collection system for this facility.

Management response

Priority	Management response	Action plan
Low ●	Agreed. Direct debits are available as a function on Agresso and are being implemented by the authority planned for June 2011/ July	By whom: Pete Johnson Implementation date: 01/08/11

Issue 6: Monitoring of Standing Data Amendments – Oxford City Works and Corporate Debtors and Periodic Payments

Control Design

Control objective: The system is protected against unauthorised access/processing and is secure against loss or damage of data.

Matters arising

Exception reports are not produced for amendments to standing data on a frequent basis. This should be mitigated through the invoice authorisation process, however, during testing it was noted that for 2/10 amendments tested there was no documentation to support the change being made.

Risks arising

Unauthorised deletions/alterations may be made to the debtor system if security over access to standing data is not adequately maintained. Unauthorised access to and alteration of system data could assist theft/misappropriation. Inaccurate changes to standing data lead to incorrect invoices being raised.

Recommendations

Amendment reports should be produced and distributed to Revenues teams on a monthly basis and reviewed by an appropriate member of staff to confirm that amendments are accurate and authorised.

Management response

Priority

Low
●

Management response

Agreed. All financial amendments are accurate and authorised. The two picked up during testing related to duplicate customer numbers which had been set up and we wanted to ensure the correct numbers were used. If a customer address is altered then notes are made on the customer within the system.

Action plan

By whom: Nicki Pierce/Pete Johnson
Implementation date: 31/03/11

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Issue 7: Exception Reports – All Revenue Streams

Control Design

Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.

Matters arising

The Council does not run exception reports to display credit notes raised.

Risks arising

Credit notes may be raised inappropriately or in error and revenue may not be optimised.

Recommendations

Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.

Management response

Priority	Management response	Action plan
Medium ●	Agreed. Within the Corporate Debtors team, there are a limited number of officers that can carry out credit notes, and all amendments are authorised. However, the production of an exception report will be investigated.	By whom: Pete Johnson Implementation date: 31/03/2011

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Issue 8: Income Reconciliations – Oxford City Homes		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
<p>The weekly reconciliation between Servitor, the housing repairs management system and the recharge book (which is used for documenting all invoices to be raised) is not documented or reviewed.</p> <p>During testing of recharge book it was noted that it is not being completed on a consistent basis. For 23/30 invoices tested, the recharge book had not been completed when the invoice was raised.</p>		
Risks arising		
Differences between Servitor and the recharge book may not be noticed and rectified on a timely basis leading to inaccurate or duplicate invoices being raised.		
Recommendations		
Staff should be reminded that the recharge book should be fully completed for all invoices. The reconciliation between Servitor and the recharge book should be performed on a weekly basis, and be signed and dated as performed and reviewed by separate members of staff.		
Management response		
Priority Medium ●	Management response Agreed. The Incomes Officer raises invoices on a weekly basis for those jobs which are charged/invoiced on Servitor. The Finance Technician will now review the recharge book on a fortnightly basis to ensure that all charges have been raised in timely manner.	Action plan By whom: Ivana Ilic/Suzan Smart Implementation date: Immediate

Issue 9: Write Off Procedures – All revenue streams		Control Design
Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and losses of credit income are minimised.		
Matters arising		
Across the Council, the procedures for writing off debt differ, resulting in non-standard practices. During testing of credit notes it was noted in 1/20 credit notes tested, an amendment was made when in fact this should have been treated as a write off. In addition, during testing of write offs it was noted that one write off form had been completed and authorised four months after the transaction date.		
Risks arising		
Inconsistent policies could impact the cash flow of the Council and increase the risk of legal challenge to Council decisions.		
Recommendations		
Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.		
Management response		
Priority	Management response	Action plan
Medium ●	Agreed. Corporate Debtors follow approved write off policy for all debts. Write off procedures will be reviewed with the aim to make them consistent.	By whom: Pete Johnson Implementation date: 30/06/2011

Issue 10: Bad Debt Provision – Corporate Debtors and Periodic Payments		Control Design
<p>Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and loss of credit income is minimised.</p>		
<p>Matters arising</p> <p>The current level of aged debt is £6.1 million. Of this, £2.9 million (48%) is over 1 year old: £2.7 million relates to Housing Benefit and Community Charges; and £0.1 million to Oxford City Homes and City Works.</p> <p>The bad debt provision has not been reviewed for two months. In addition, the person responsible for calculating this has left the department and there are no procedure notes to explain how to calculate this going forward.</p>		
<p>Risks arising</p> <p>Debtor balances may be overstated if unrecoverable debt continues to be recognised as an asset.</p>		
<p>Recommendations</p> <p>Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis.</p> <p>The method of calculating the bad debt provision should be reviewed and procedures should be drawn up to help members of the Finance team calculate this going forward.</p>		
<p>Management response</p>		
<p>Priority</p> <p>Medium</p> <p>●</p>	<p>Management response</p> <p>Agreed. A review has been started into all aged debt balances and procedure notes for the bad debt provision calculation will be completed.</p>	<p>Action plan</p> <p>By whom: Martin Westmoreland Implementation date: 01/02/11</p>

Issue 11: Key Performance Indicators – All revenue streams		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
There are currently no KPIs or procedures in place to monitor the efficiency and effectiveness of the invoice raising process.		
Risks arising		
Delays or poor performance is not identified leading to adverse impact on the Council's cash flow.		
Recommendations		
The Council should consider introducing KPIs to monitor the invoice raising process, for example, time taken to process invoices.		
Management response		
Priority Medium ●	Management response Agreed. A service target will be set to raise invoices within 5 days of receipt of correctly completed request.	Action plan By whom: Nicki Pierce Implementation date: Immediate

Issue 12: Staff Training – All revenue streams		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
The Council is currently undertaking a Business Process Improvement (BPI) project, with a view to the centralisation of the debtors department. The review this year has highlighted the inconsistency of policies and procedures across the Council, as well as how inconsistencies in application of controls and, if implemented appropriately, will help the Council ensure that many of the recommendations raised within this report are addressed in a consistent manner across the Council.		
Risks arising		
Inconsistencies could lead to inefficiencies in processes, resulting in the Council not maximising its cash flow from its revenue generating streams.		
Recommendations		
In order to ensure that the issues which have been highlighted by this review are addressed effectively within the revised system, it is imperative that staff are fully trained to allow the Council to make best use of the revised structure.		
Management response		
Priority High ●	Management response Agreed This is currently being undertaken as part of the corporate modernisation services program. The Agresso debt recovery module is being re-configures, new guidance is being issued and training will be given where appropriate.	Action plan By whom: Pete Johnson Implementation date: 30/06/11

5. Follow Up of Prior Year Recommendations

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
1	<p>All Revenue Streams</p> <p>The Council does not run exception reports to display all significant credit notes raised.</p>	<p>Medium</p> <p>●</p>	<p>Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.</p>	<p>Agreed.</p> <p>Procedure notes will be changed to incorporate this issue.</p> <p>Functionality exists on Agresso to facilitate this recommendation. This and is available for all Accounts Receivable staff.</p>	<p>Outstanding.</p> <p>See issue # 7.</p>
2	<p>Oxford City Works</p> <p>An Agresso error suspense account is in place for those invoices that are raised with incomplete or inaccurate references. Debts should be cleared by responsible team leaders on a regular basis. It was noted during review that £6k of aged items on the account contain corrupt data and therefore cannot be examined.</p> <p>Furthermore it was identified that responsible officers at Oxford City Works do not have access to this account and therefore are unable to review their aged debt.</p>	<p>Medium</p> <p>●</p>	<p>Investigations should be undertaken into the origin of all items on this suspense account. Access should be granted to responsible officers within City Works to allow these debts to be investigated. All aged items should be reviewed and written off if appropriate. Communications should be held with Agresso to identify how to access corrupt items.</p>	<p>Agreed.</p> <p>All officers at City Works with access to Accounts Receivable (AR) enquires can review the items in the AR suspense account. However for segregation of duties, it is preferable for the Team Leader to clear suspense.</p> <p>Suitable procedures and training will be put in place.</p>	<p>Implemented.</p>

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Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
3	<p>Corporate Debtors and Periodic Payments</p> <p>The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.</p>	Low ●	The Authority should investigate the functionality of the corporate debtor system to facilitate the use of Direct Debits for periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Councils new cash collection system for this facility.	<p>Agreed.</p> <p>The Agresso system will run with Direct Debits once implemented. Agresso have been reluctant to provide the information requested by officers to begin implementation. Staff will continue to press Agresso with a view for implementation by September 2010.</p>	<p>Outstanding.</p> <p>See issue # 5.</p>
4	<p>All Revenue Streams</p> <p>No formal de minimis value exists in relation to the raising of invoices</p>	Low ●	<p>The Authority should consider the introduction of a de minimis level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level.</p> <p>It is acknowledged that it is appropriate to have certain exemptions from this rule (e.g. court charges), but these should be formally documented.</p>	<p>Agreed.</p> <p>In Corporate Debtors the de minimis level for raising a debt is £25. This will be reviewed with the update of the Debt Collection Policy</p>	<p>Outstanding.</p> <p>See issue # 2.</p>
5	<p>Corporate Debtors and Oxford City Works</p> <p>The current version of Agresso does not log changes made to customer standing data. It is therefore not possible to run an exception report of changes made during a specific period.</p>	Medium ●	The functionality of Agresso should be reviewed to identify how management can gain comfort over any changes made to debtors standing data. If this is not feasible, consideration should be given to ensuring that authorisation is obtained for any changes made.	<p>Agreed in part.</p> <p>The AG58 records amendments to customer records from the date that it was set up as part of the Agresso 5.5 upgrade in Spring 2009. This report will be publicised and used more widely.</p>	<p>Partially Implemented.</p> <p>See issue # 6.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
6	<p>Oxford City Works</p> <p>Limited segregation of duties is in place around debt raising and cash receipting at City Works. The same officer is able to raise invoices, collect cash and raise a credit note against a debt.</p>	High ●	Procedures should be put in place to restrict officer access to discrete elements of the debt raising process. This should be performed as a matter of urgency.	<p>Agreed.</p> <p>Immediate steps have been taken to create segregation of duties between staff in this area. Formal restructuring of local finance processes will ensure that this is built into service design.</p>	<p>Outstanding.</p> <p>See issue # 1.</p>
7	<p>All Revenue Streams</p> <p>Due to the devolved nature of a number of debtor raising departments, responsibilities of individual departments are not always clearly defined. This has been noted in the areas of suspense accounts and bad debt provision in particular.</p>	Medium ●	Formal SLAs should be drawn up for each debt raising department. These should clearly outline the roles and responsibilities of respective areas.	<p>Agreed.</p> <p>This an issue for City Works. See response above.</p>	<p>Implemented.</p>
8	<p>Corporate Debts</p> <p>The provision for bad and doubtful debts is only assessed on an annual basis. In the current economic climate this is not deemed sufficient.</p>	Medium ●	During times of economic instability, the Council should consider reviewing their bad debt provision on a periodic basis. This should be included in management accounts to ensure that financial position is reported accurately.	<p>Agreed.</p> <p>But note that periodic debt in relation to investment property is reviewed frequently by Property, Incomes & Finance staff. Expected adjustments to income are reflected within the monthly monitoring figures.</p>	<p>Outstanding.</p> <p>See issue # 10.</p>
9	<p>All Revenue Streams</p> <p>The provision against doubtful debts should be calculated by individual devolved departments. It was noted during review that the methodology for this provision differs across the Authority. No formal procedure notes are in place.</p>	Medium ●	All responsible officers should meet to discuss individual approaches to calculation of the bad debt provision. Clear procedure notes should be drawn up to outline key assumptions and rules for the provision. This should be used consistently.	<p>Agreed.</p> <p>Whilst documentation is produced on working papers to detail the approach for calculation of the provisions, procedure notes should be drawn as part of the year end close down.</p>	<p>Partially implemented.</p> <p>See issue # 10.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
10	<p>Oxford City Works</p> <p>All credit notes should be approved by an authorised signatory prior to raising. This did not occur in 5/5 credit notes tested by audit. The total value of credit notes tested was £75,000.</p>	<p>Medium</p> <p>●</p>	All credit notes should be independently authorised before being raised. This should be performed on standardised stationery.	<p>Agreed.</p> <p>All credit notes to be approved in accordance with the Authorised Signatory list.</p> <p>In addition, a monthly report of credit notes will be run and reviewed by the Finance Business Partner.</p>	Implemented.
11	<p>Corporate Debtors</p> <p>The central authorised signatories list was noted as incomplete. In 1 invoice from 30 tested, authorisation was granted by an individual who was not included on the list.</p>	<p>Low</p> <p>●</p>	The authorised signatories list should be reviewed on a regular basis and updated for all new members of staff.	<p>Agreed.</p> <p>All Service Heads have been requested to update Authorised Signatory lists and these are held on the Intranet.</p>	Implemented.
12	<p>Oxford City Homes</p> <p>Once invoices are raised to tenants for recharges, the recharge book (a shared spreadsheet) should be updated with the details of the invoice to demonstrate that the job has now been invoiced. It was noted that during the year there have been instances where the recharge book has not been updated by temporary members of staff. This has resulted in duplicate invoicing.</p>	<p>Medium</p> <p>●</p>	A review of tenant recharges in the year should be performed to identify any further instances where duplicate invoices have occurred. Going forward, a periodic comparison of information should be performed to identify potential duplicates.	<p>Agreed.</p> <p>All historically recharge invoices to-date have been reviewed and we have corrected the duplicate invoices that had been generated. The “cancelling and amending” form has been completed for each transaction.</p> <p>Additional weekly and monthly checks built into procedures.</p>	<p>Partially implemented.</p> <p>See issue # 8.</p>
13	<p>Oxford City Works</p> <p>Policy dictates that invoices should be accompanied with a standardised invoice request form. No such form had been completed in 15/15 invoices tested at City Works.</p>	<p>Medium</p> <p>●</p>	Officers should be reminded of the policy in place for raising invoices. If this process is deemed inefficient, procedure notes should be updated to reflect the process in place.	<p>Agreed.</p> <p>Staff have been reminded to always attach relevant paperwork to invoices.</p> <p>In addition procedures will be reviewed and notes updated as necessary to ensure that the process for invoice raising is both secure and efficient.</p>	Implemented.

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
14	<p>Oxford City Works</p> <p>A job reference card should be provided for all JMS interfaced invoices. This was not present in 1/30 invoices tested.</p>	<p>Low</p> <p>●</p>	<p>Job reference codes should be provided without exception.</p>	<p>Agreed.</p> <p>Staff have been reminded to always provide a job reference card.</p>	<p>Implemented.</p>
15	<p>Oxford City Works</p> <p>The City Homes system interfaces with the General Ledger on a periodic basis to ensure that all invoices are raised on the General Ledger. It was brought to audits attention that this process had failed during the year and was left unnoticed for a period of 5 months which resulted in a delay invoicing in this period. This affected 7/30 invoices tested.</p>	<p>High</p> <p>●</p>	<p>Reconciliations should be performed on a monthly basis to ensure that the transfer of data from JMS to Agresso has occurred accurately and completely.</p>	<p>Agreed.</p> <p>Invoices are now being raised regularly and monthly reconciliations carried out.</p> <p>In addition the Finance team are ensuring that data for the whole of 2009-10 has been reconciled.</p>	<p>Implemented.</p>

Appendix 1 – Basis of our Opinion

Individual risk ratings

Each of the control weaknesses identified have been categorised according to risk as follows:

Risk rating	Assessment rationale
Critical ●	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the organisation's operational objectives as set out in its operational plan; or • Material financial impact on the organisation (quantify); or • Significant breach in laws and regulations resulting in severe fines or consequences; or • Critical impact on the reputation of the organisation which could threaten its future viability.
High ●	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Significant financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which are significant to the system, function or process under review but not the overall organisation; or • Significant impact on the reputation of the organisation.
Medium ●	A control weakness that could have a: <ul style="list-style-type: none"> • Moderate impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Moderate financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which impact but are not significant to the system, function or process under review; or • Moderate impact on the reputation of the organisation.
Low ●	A control weakness that could have a: <ul style="list-style-type: none"> • Minor impact on the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Minor financial impact on the organisation (quantify); or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.

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Assurance ratings

The table below details the assurance ratings for grading individual audits:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	There are weaknesses in the design and/or operation of controls which, in aggregate could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix 2 – Limitations and Responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken this review of debtors subject to the limitations outlined below. This is an independent assurance report and our work has been performed in accordance with ISAE 3000 (“International Standard on Assurance Engagements”).

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

The assessment of controls relating to debtors is at December 2010. 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 shall 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, unless we are requested to carry out a special investigation for such activities in a particular area.

Appendix 3 – Terms of Reference

Objectives

To ensure that invoices are raised in a timely manner, cash received is correctly allocated, outstanding debts are recovered and the ledger is updated to reflect the debtors system.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the design and effectiveness of controls in place over the debtors system.

Scope and Approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- All sources of income are identified and that, where applicable, invoices are raised in a timely, complete and accurate fashion.
- All payments are receipted completely, accurately and in a timely fashion.
- Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.
- The system is protected against unauthorised access/processing and is secure against loss or damage of data.

Limitations of Scope

The scope of our work will be limited to those areas identified in the terms of reference.

Stakeholders and Responsibilities

Role	Contacts	Responsibilities
Revenues Manager	Anne Harvey Lynch	<ul style="list-style-type: none"> Review draft terms of reference. Review and meet to discuss issues arising and develop management responses and action plan. Review draft report. Implement agreed recommendations and ensure ongoing compliance.
Interim Head of Finance	Nigel Kennedy	<ul style="list-style-type: none"> Receive agreed terms of reference. Receive draft and final reports.
Corporate Director of Finance and Efficiency	Jackie Yates	
Chief Executive	Peter Sloman	<ul style="list-style-type: none"> Receive final report.

Our Team

Chief Internal Auditor	Chris Dickens
Audit Manager	Matthew Ulyatt
Team Manager	Charlotte Bilsland
Auditor	Margaret Gibbs

Timetable

Steps	Date
TOR approval	November 2010
Fieldwork commencement	15 th November 2010 (T)
Fieldwork completed	T + 2 weeks
Draft report of findings issued	T + 4 weeks
Receipt of Management response	T + 6 weeks
Final report of findings issued	T + 7 weeks

Budget

Our budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

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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, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC and Oxford City Council discloses this report or any part thereof, 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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Oxford City Council Internal Audit report 2010/11

Review of IT and process controls for Paris and Payroll system

Final report

June 2011

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Distribution list	
For action	Financial Accounting Manager– Anna Winship Head of People and Equalities – Simon Howick
For information	Adrian Orchard – Interim Head of ICT Nigel Kennedy - Head of Finance Jane Lubbock – Head of Business Improvement Executive Director Finance and Efficiency – Jackie Yates

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This report has been prepared solely for Oxford City Council. In accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

1. Executive Summary

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Overall opinion																					
<p>Overall opinion</p> <p>Limited Assurance can be given on the adequacy and operating effectiveness of controls in place over the IT and process controls assessed. Our assurance ratings are defined in Appendix 1.</p> <p>Our opinion is based on the work performed as set out in the agreed terms of reference (Appendix 3) and is subject to the inherent limitations set out in Appendix 2.</p> <p>Scope and limitations of review</p> <p>Our work is designed to comply with Government Internal Audit Standards (GIAS) and the CIPFA Code.</p> <p>Findings</p> <p>The list and detail of observations made in this review can be found in sections 3 and 4.</p> <p>The main theme arising from our assessment of IT controls and performing the process walkthroughs has been that controls processes have not been formalised.</p> <p>Since last year there have been a number of changes in the control environment, such as a move to a partnership arrangement with the Oxfordshire County Council's ICT team, the implementation of PARIS and iTrent. There is a need for management to ensure appropriate procedures are documented to ensure operations are standardised.</p>	<p>We also noted that one of result of the lack of formalised processes is that there are a few areas where people have conflicting access within the systems. For example we noted that no procedures are defined for performing user access reviews, privileged user access is not monitored and in the case of payroll we found there were a common set of users who were performing payroll calculations and also approving the payroll payments.</p> <p>Summary of Key Findings</p> <p>The number of key findings resulting from audit work undertaken is as follows:</p> <table border="1" data-bbox="1050 807 1798 1086"> <thead> <tr> <th colspan="2">Number of control design issues</th> <th colspan="2">Number of operating effectiveness issues</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>-</td> <td>Critical</td> <td>-</td> </tr> <tr> <td>High</td> <td>1</td> <td>High</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>1</td> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>-</td> <td>Low</td> <td>2</td> </tr> </tbody> </table>	Number of control design issues		Number of operating effectiveness issues		Critical	-	Critical	-	High	1	High	1	Medium	1	Medium	1	Low	-	Low	2
Number of control design issues		Number of operating effectiveness issues																			
Critical	-	Critical	-																		
High	1	High	1																		
Medium	1	Medium	1																		
Low	-	Low	2																		

2. Background and scope

Introduction

This review was undertaken in line with our Terms of Reference dated July 2010. This report has been prepared solely for Oxford City Council (‘the Authority’) in accordance with the terms and conditions set out in our letter of engagement.

Background

The Authority has recently implemented PARIS, a cash receipting system; and iTrent which is a payroll application. However, some issues were encountered post implementation. This audit was commissioned to examine IT general controls and perform a walkthrough of key processes performed by the two applications.

Scope of review

In accordance with our Terms of Reference (Appendix 1), agreed with the Director of Finance & Efficiency we undertook an audit of iTrent and PARIS. This involved interviews with the Authority’s staff and ICT staff at the County; and an examination of documentation generated internally by the relevant teams.

The key areas of focus for our audit were as follows:

- Performing process walkthrough of the following processes and understanding how the transactions are reflected in reports and accounts/ledgers:
 - Invoice to receipt process;

- Receipt allocation process;
- Bank reconciliation process;
- Monthly/ (Weekly) payroll calculation process;
- Starters and Leavers process;
- Payroll data update process;
- Assessing the controls over completeness and accuracy of the automated interfaces between Paris and Agresso; and payroll application and Agresso;
- Assessing the IT general controls including audit trails and segregation of duties;
- Identifying areas of IT and process control gaps against good practice; and
- Assessing the resource levels and skills of business and IT technical staff responsible for administering and operating the processes.

We have listed only the exceptions noted from the above procedures performed in this report.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.

3. Overall evaluation

Summary of findings

Objective	PARIS	iTrent	Total number of issues	Number of control design issues				Number of operating effectiveness issues			
				Critical	High	Medium	Low	Critical	High	Medium	Low
			6	Critical	High	Medium	Low	Critical	High	Medium	Low
ITGC Observations											
Formalising of Process Documentation and Controls	✓	✓	1	-	-	1	-	-	-	-	-
Monitoring of Super User Activity	✓	✓	1	-	1	-	-	-	-	-	-
Midland HR SLA's		✓	1	-	-	-	-	-	-	-	1
Process Walkthrough Observations											
Payroll Approval Matrix		✓	1	-	-	-	-	-	1	-	-
Process Documentation		✓	1	-	-	-	-	-	-	-	1
Bank Reconciliation Review	✓		1	-	-	-	-	-	-	1	-

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4. Detailed findings

Issue 1: Formalising of process documentation and controls

iTrent and PARIS
Control Design

Control objective: IT operations are managed using standard procedures which are clearly documented and key controls to be executed in the process are clearly identified.

Matters arising

Through discussions with the Finance team, the Payroll team and the County's ICT team we noted that there are no standard processes documented to control key IT operations. Specifically we noted that procedures were missing for the following key IT operations :

- **Change management process:** Such procedures should give guidance for creating and authorising a change; the process by which the County's ICT team would build the change; the testing procedures to be performed before the change is approved; and finally the process by which the change is made live.
- **User access management:** The procedures should address controls related to performing user access reviews. IT should explain the frequency of such reviews, who should authorise the user access and the documentation that should be retained for such reviews.

We understand that both systems have been newly implemented and some of the activities have not yet been finalised.

Risks arising

In the absence of a standard process it, the IT processes become more person dependant than being procedure driven. Thus for example:

- Changes in iTrent or PARIS may not have sufficient level of approval or testing before the change is approved for go-live; and
- In the absence of a formal procedure for performing user access reviews there is an increased risk that access to systems is not in line with the users' roles and responsibilities.

Recommendations

Management should formally document the processes for change management and user access management and ensure that key controls to be exercised in these processes are clearly identified.

Management response

Priority

Medium



Management response

A new change management process has been developed and adopted. However, the user access management process has not been revised.

Action plan:

By whom: David Oakes

Implementation date: June 2011

Control objective: Privileged users access is appropriately controlled and monitored.

Matters arising

We noted that there are currently no formal monitoring controls in place for privileged user access to iTrent and Paris. Privileged users are users with a high level of access in the systems. Such access could be available at the application level or directly to the database or operating system which support the application.

We noted that in iTrent and PARIS some users have access to all parts of the application including performing user administration. Through such access they are able to perform a number of operations, such modifying employee salaries or adding new employees. We understand that some of this access is needed for ensuring normal operations are not affected.

Risks arising

Although such access may be needed for operational purposes, it can lead to insufficient segregation of duties within the system. It also indicates an over-reliance on some key individuals, which is not adequately monitored. In the absence of any monitoring of the user’s access there is an increased likelihood of any unauthorised usage of such access being undetected.

Recommendations

Management should ensure privileged access is regularly reviewed. Further, management should ensure that the activities of the privileged users are logged and monitored as appropriate. These reviews should be performed by the data owner who is independent of the data processing responsibilities in the application.

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Management response

Priority


High



Management response

There are processes to authorise all users, including privileged users when they start in the organisation. However, there are no specific procedure in place for reviewing privileged user access at regular intervals.

Action plan: Recommendation now implemented

Issue 3: Monitoring of Midland HR against the service level agreement		iTrent Operating Effectiveness
Control objective: Service providers are providing services in line with the service level agreement ('SLA').		
Matters arising		
Oxford City Council and entered into a contract with Midland HR for the hosting of the iTrent application. As a part of this agreement a number of key performance indicators have been agreed in the SLA. However, we noted that there is no formal reporting by Midland HR against these performance indicators. For example system availability percentage is agreed at 99.5, but Midland HR do not provide any reports or statistics to the Authority to support this metric.		
Risks arising		
In the absence of such reporting and adequate monitoring, there is a risk that Midland HR are not fulfilling their responsibilities as defined in the SLA.		
Recommendations		
Management should agree on specific reporting against key performance indicators as specified by Midland HR in their SLA. The reports should be regularly reviewed by the Authority and where the performance is not in line with the expected standards, Midland HR should be asked to make improvements or pay service credits as may be applicable under the contract.		
Management response		
Priority Low 	Management response A new process has been implemented that only allows access by Midland when approved and authorised.	Action plan: Recommendation now implemented

Control objective: There is appropriate segregation of duties between calculation of payroll and approval of payroll.

Matters arising

We noted that there are members of the payroll team who can perform payroll calculation and approve the payroll payments.

Payroll calculations are normally performed by either the payroll manager or payroll system administrator. The payroll calculation is then sent to Midland HR for processing and making payments to the employees and making the deductions on behalf of the employee. The authorisation for such payments can be performed by four members of staff, being the payroll manager, the payroll system administrator, the financial accounting manager and the trainee accountant.

Risks arising

Due to the existing access, it is likely that the same person can perform payroll calculation and also approve the payment of payroll. Thus it is likely that there is no independent check of the payments made and, due to the lack of segregation of duties, there is an increased risk of errors in payroll processing.

Recommendations

Management should consider the revision of the approval matrix so that the persons performing payroll calculations and persons approving payroll are mutually exclusive.

Management response

Priority

High



Management response

A new process has been implemented where any member of the payroll team can calculate someone's pay, and this is usual practice in our work. However, this is not authorising the payment to be paid, this is merely calculating their gross to net calculation. Only the Payroll manager can authorise the payments, along with one other member of the team, and a member of Finance.

Action plan: Recommendation now implemented

Control objective: Process documentation ensures standard practices are used when performing the business process.

Matters arising

The payroll process document is incomplete. The current version of the process documentation is at a draft stage and requires further updating. New procedure documents were created after the implementation of iTrent, but these documents had not been completed at the time of our review.

Risks arising

In the absence standard process documentation the operation of processes become person dependent and do not follow a standard operating procedure. Also the process knowledge is only with the people who are performing these activities thus increasing the risk of loss of business continuity, of the process, if these staff members are unable to attend work.

Recommendations

Management should ensure the payroll process documentation is completed in a timely manner.

Management response

<p>Priority</p> <p>Low</p> <p>●</p>	<p>Management response</p> <p>Action completed in November 2010 with process in place to update and maintain the process documentation as necessary.</p>	<p>Action plan: Recommendation now implemented</p>
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Control objective: Bank reconciliations undergo a robust scrutiny process to ensure that the cash book reconciles to the bank statement.

Matters arising

The bank reconciliations are prepared by a member of the finance team and it is reviewed by the finance manager. For the month of May 2010 we noted that the reconciliation was not signed off by the reviewer. We understand that although the reconciliation has been reviewed but the formal evidence of review has not been captured.

It was also noted that there was an ongoing difference of £127 in the reconciliation for May 2010. The team had not identified the reason for this difference at the time of our review.

Risks arising

In the absence of formal sign off, of the bank reconciliation, there is a likelihood that the reconciliation statement may contain errors which cause the cash book to fall out of balance with the bank statement. Un-reconciled differences in the bank reconciliation can reduce the level of confidence over the reconciliation process, as it becomes unclear if the difference is on account of a single missing transaction or a series of missing transactions which partly compensate each other.

Recommendations

Management should ensure that there is a robust process for performing bank reconciliations. The staff performing the reconciliation should ensure that the all transactions are accounted for and it is reviewed and appropriately signed off by a senior member of the team.

Management response

Priority

Medium



Management response

The Bank Reconciliation process is now performed accurately and timely and full procedures are written for this process.





Action plan: Recommendation now implemented

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Appendix 1 – Basis of our opinion

Individual risk ratings

Each of the control weaknesses identified have been categorised according to risk as follows:

Risk rating	Assessment rationale
Critical 	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the organisation’s operational objectives as set out in its operational plan; or • Material financial impact on the organisation (quantify); or • Significant breach in laws and regulations resulting in severe fines or consequences; or • Critical impact on the reputation of the organisation which could threaten its future viability
High 	A control weakness that could have a: <ul style="list-style-type: none"> • Significant impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Significant financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which are significant to the system, function or process under review but not the overall organisation; or • Significant impact on the reputation of the organisation
Medium 	A control weakness that could have a: <ul style="list-style-type: none"> • Moderate impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Moderate financial impact on the organisation (quantify); or • Breach in laws and regulations resulting in fines and consequences which impact but are not significant to the system, function or process under review; or • Moderate impact on the reputation of the organisation.
Low 	A control weakness that could have a: <ul style="list-style-type: none"> • Minor impact on the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Minor financial impact on the organisation (quantify); or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation

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Assurance ratings

The table below details the assurance ratings for grading individual audits:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix 2 – Limitations and responsibilities

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Limitations inherent to the internal auditor's work

We have undertaken a IT General Controls and key business process walkthrough reviews of PARIS and I-Trent projects, subject to the following limitations.

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 judgement 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

The assessment of controls relating to PARIS and I-Trent projects is that 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 shall 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, unless we are requested to carry out a special investigation for such activities in a particular area.

Appendix 3 – Terms of Reference

Objectives

Oxford City Council has recently implemented Paris, a cash receipting system; and iTrent which is a payroll application.

Oxford City Council's ICT service is provided by Oxfordshire County Council under a Partnership Agreement. This County's ICT team hosts the Paris cash receipting systems and associated applications including Agresso, the financial management system. The iTrent payroll is hosted remotely by Midland Software.

After the implementation of Paris significant delays were experienced in completing the bank reconciliations. Similarly, there have been delays in reconciling the payroll, interfaces with the Council's financial system. Agresso. The objective of this review is to perform process walkthroughs and assess the IT controls at a high level to identify gaps against best practice

Deliverables

The IT audit will focus on examining IT General Controls and performing an end-to-end process walkthrough of the payroll and cash receipting systems. We will assess the controls in the processes and identify areas of control gaps. We will also trace the transactions into the reports or accounts/ledgers and identify areas where the transactions are not accurately reflected in such reports or accounts /ledgers. We will make recommendations where IT and process controls can be brought in line with best practice.

Information Requirements

Listed below is information that will be required at the commencement of the audit:

- Complete process documentation;
- Results of process testing performed as a part of programme implementation;
- Key process contacts;
- List of key reports and ledgers/accounts; and
- Documentation related to IT controls.

The list is not intended to be exhaustive. Evidence should be available to support all operating controls. Other information arising from our review of the above documentation may be requested on an ad hoc basis.

Scope and Approach

This review will focus on understanding the set up of IT and business process controls in the payroll and Paris applications.

Our key areas of focus are:

- Performing process walkthrough of the following processes and understanding how the transactions are reflected in reports and accounts/ledgers:
 - Invoice to receipt process;
 - Receipt allocation process;
 - Bank reconciliation process;

- Monthly/ (Weekly) payroll calculation process;
- Starters and Leavers process;
- Payroll data update process;
- Assessing the controls over completeness and accuracy of the automated interfaces between Paris and Agresso; and payroll application and Agresso;
- Assessing the IT general controls including audit trails and segregation of duties;
- Identifying areas of IT and process control gaps against good practice; and
- Assessing the resource levels and skills of business and IT technical staff responsible for administering and operating the processes.

We will discuss our findings with the Director of Finance and Efficiency, ICT Manager and the relevant project leads or their nominated representative to develop recommendations and action plans. A draft report will be issued to all relevant officers for review and to document management responses.

Limitations of Scope

The scope of our work will be limited to those areas identified in the terms of reference

Stakeholders and responsibilities

Role	Contact	Responsibilities
Director of Finance and Efficiency	Jackie Yates	<ul style="list-style-type: none"> ● Review draft terms of reference ● Review and meet to discuss issues arising ● Receive draft and final report
ICT Manager	David Oakes & Roger Rickard	<ul style="list-style-type: none"> ● Review draft terms of reference

Role	Contact	Responsibilities
		<ul style="list-style-type: none"> ● Review and meet to discuss issues arising and develop management responses and action plan ● Review draft report. ● Implement agreed recommendations and ensure ongoing compliance.
Head of People and Equalities	Simon Howick	<ul style="list-style-type: none"> ● Receive agreed terms of reference ● Review and meet to discuss issues arising and develop management responses and action plan ● Receive draft and final reports. ● Implement agreed recommendations and ensure ongoing compliance.
Payroll Manager	Sean Hoskins	<ul style="list-style-type: none"> ● Receive agreed terms of reference ● Review and meet to discuss issues arising and develop management responses and action plan ● Receive draft and final reports. ● Implement agreed recommendations and ensure ongoing compliance.

Role	Contact	Responsibilities
Head of Finance	Penny Gardner / Sarah Fogden	<ul style="list-style-type: none"> Receive agreed terms of reference Review and meet to discuss issues arising and develop management responses and action plan Receive draft and final reports. Implement agreed recommendations and ensure ongoing compliance.
Chief Executive	Peter Sloman	<ul style="list-style-type: none"> Receive final report

Our team

Role	Contact
Chief Internal Auditor	Chris Dickens
Audit Manager	Harish Medhekar
Auditors	Anoop Gandhi

Timetable

The timetable for this review is as follows:

Steps	Date
TOR approval	July 2010
Fieldwork commencement	July 2010
Fieldwork completed	T + 8 days
Draft report of findings issued	T + 3 weeks
Receipt of Management response	T + 5 weeks

Our budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

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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, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC and Oxford City Council discloses this report or any part thereof, 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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To: Audit & Governance Committee

Date: 30TH June 2011

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.

Report Approved by:

Finance: Nigel Kennedy

Legal: Jeremy Thomas

Policy Framework: Financial stability

Recommendation(s):

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

Appendix A – Internal Audit recommendation tracker

Appendix B – External Audit recommendation tracker

Summary

1. The outcomes of all internal audit reports are reported to this Committee. Each report includes recommendations: a summary of these and updated management responses are provided in Appendix A.
2. External audit recommendations are also tracked and updated management responses are included as Appendix B

Recommendation tracking

3. 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.
4. Any recommendations that are 100% complete have been removed from the tracker.

External Audit Recommendations

5. There are 2 recommendations that are showing as red on the external audit recommendation tracker. They relate to the closedown process for 2009/10, and will be taken into account in preparing the 2010/11 accounts.

Internal Audit recommendations

6. There have been two internal audit reports finalised since the last meeting and these recommendations have been added to the tracker, these reports are:
 - Budgetary Control – Given High Assurance
 - Debtors Audit - Limited Assurance
7. There are 11 red recommendations on the internal audit recommendation tracker, none of which are high risk recommendations. There are no areas of concern over any of the outstanding recommendations.
8. Seven of the recommendations will be undertaken under the Corporate Services Modernisation Programme of work, including:
 - Implementing improvements in ICT systems, training and guidance notes currently being undertaken by the Councils new Revenues Manager.
 - Implementing improvements in budget monitoring
 - Implementing procure to pay for the ordering and payment of goods and services
 - Implementation of Direct Debits for debt recovery
- 10 One of the recommendations relates to a asset security policy, some work has already commenced on town hall security in relation to this item
- 11 One of the recommendations relates to Customer Services, where there are currently limited resources to carry out these recommendations .
- 12 Two of the recommendations relate to risk management activity one of which relates to guidance notes which will be refreshed off the back of the Strategy refresh including encompassing the changes in respect of monitoring through CORVU (the Council's performance management software).

Financial Implications

9. This report is for noting and therefore there are no financial implications directly arising from the recommendations in the report

Legal Implications

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

Name and contact details of author:

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Head of Finance
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Background papers: None

INTERNAL AUDIT REPORT RECOMMENDATIONS

Appendix A											
Ref	Review	Date Performed	Issue Noted	Risk Rating	Recommendation Made	Management Response	Responsible Manager	Agreed Implementation Date	March 2011 update	May 2011 update	% complete
RECS MORE THAN 3 MONTHS OUT OF DATE											
IA9	GL	01/10/09	The Council does not undergo a regular review of cost centres and account codes to ensure they remain valid and in use. It was noted through review of the ledger that 21 account codes have been set up outside of the normal coding structure. In addition it appears that a number of codes have duplicate names and descriptions (e.g. creditors, windows, unidentified corporate savings)	Med	The Authority should seek to review their chart of accounts on an annual basis. All dormant and duplicate codes should be removed.	This process was performed a number of years ago but will be introduced on an annual basis going forward.	Anna Winship/Martin Westmoreland	31 st March 2010	Work has started on analysing and reviewing the chart of accounts, and proposals for a revised capital coding structure are being reviewed. Further discussions will take place regarding how to take forward the structure of the chart of accounts.	Over the next 12 months there are a number of Agresso projects that will require a review of the chart of accounts structure e.g. procure to pay. As a result this action will be rolled in to these projects as they progress	20
IA17	GL	01/10/09	The Council upgraded their version of Agresso to v5.5 in March 2009. Although key procedure notes have been amended to reflect the new system, this has not been performed for all procedures notes in place	Med	All procedure notes should be reviewed to ensure they reflect Agresso v5.5. Going forward, procedure notes should be reviewed on an annual basis to reflect changes in working practices.	All procedure notes will be reviewed to ensure that they are in line with the current version of Agresso. This will be performed in the order of risk and importance. A review date will be detailed on all documents.	Dave Swann	31st March 2010	There are still a few procedure notes outstanding but further work is being done on this, as the new ICT team develop these procedure notes will be rolled out		55
IA23	Treasury Management	01/10/09	The Council prepares a rolling cash flow forecast which is updated on a daily basis. Whilst this is operating effectively, there is no comparison made against initial budgets.	Med	Actual cash flows should be compared to original budgets on a periodic basis. All variances should be investigated and revised assumptions used for future cash flow setting.	A monthly comparison of budgeted cash flows to actual will be performed and reviewed. This will allow analysis of assumptions for cash flows used in subsequent years.	Anna Winship	31st December 2009	Work has started on producing the forecast cash flow for 11/12 and the methodology to be used to ensure actuals are compared to forecasts. This will be ongoing from 1st April 2011	replaced by IA238	80
IA84	Debtors	23/3/2010	The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.	Low	The authority should investigate the functionality of the corporate debtor system to facilitate the use of direct debits for periodic payments and payment plans.	The Agresso system will run with Direct Debits once implemented.	Dave Swann	Sep-10	A Project PID has been submitted to ICT, further work is on hold pending the restructure and the appointment into the Revenues Manager post	Manager now in post. Name changed from Dave Swann to Pete Johnson. Awaiting Agresso response to updated fix. Initial work has started on putting a Project Plan in place. No change to the 20%	20
IA90	Debtors	23/3/2010	The provision against doubtful debts should be calculated by individual devolved departments.	Med	All responsible officers should meet to discuss individual approaches to calculation of the bad debt provision.	Whilst documentation is produced on working papers to detail the approach for calculation of the provisions, procedure notes should be drawn as part of the year end close down.	Emma Burson/Martin Westmoreland	Apr-10	Bad debt provision was reviewed as part of the Trial Close down and no changes made to the level of the provision as a result. The next bad debt review is scheduled as at 31st March	MW Completed and send direct	80
IA100	Health & Safety	01/03/10	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.	Med	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.	Performance Board receives reports twice a year. PIs have been agreed in principle - outlined in Matrix document, more detailed discussion needs to take place with Heads of Service to identify individual service PIs.	Mark Preston	End of June 2010	CMT is scheduled to receive a report on Safety Policy Changes and Safety Performance Indicators in April 2011	CMT is scheduled to receive a report on Safety Policy Changes and Safety Performance Indicators in end July 2011.	50
IA101	Health & Safety	01/03/10	Risk assessments should be completed by individual departments for specific Health and Safety Risks. 1/20 assessments tested had not been completed.	Low	Officers should be reminded that risk assessment forms should be completed fully upon submission. Any incomplete forms should be returned to the officer for re-work.	Assess NET system will prompt all risk assessors on completion and will provide CSA and HoS with regular reports identifying incomplete assessments.	Mark Preston	Jul-10	Assess NET system prompts all risk assessors on completion and will provide CSA and HoS with regular reports identifying incomplete assessments.		50
IA120	Trade Waste	31/1/2011	Debts may be irrecoverable. Debtor balances may be misstated if write-offs are not processed on a timely basis.	Med	A formal recovery and write off procedure should be produced in line with corporate regulations and communicated to Trade Waste.	Current process to be reviewed and procedure to be developed/amended if necessary.	Pete Johnson	31/03/10	Centralisation will be completed as part of the Direct Services and Finance restructures by 1 April. Corporate debt collection procedure to be followed following the restructures.	As before	75
IA144	Creditors	31/03/11	Budget information may not acknowledge future commitments. Creditor accruals may be inaccurate.	Med	The Authority should consider the use of commitment accounting. This would require purchase orders to be posted to cost centres on Agresso when they are raised.	Agreed Budget information produced throughout the year includes manual commitments accounting. Year end accruals testing showed minimal accruals missed. Officers agree that electronic commitment accounting would be more efficient. Systems across the Council are being reviewed during Summer/Autumn 2010.	Denise Sheppard	Nov-10	The centralisation of the payments team is ongoing, and a review of business processes is already underway and a revision of policies and procedures will be carried out to ensure that the Council is working with a single solution towards making payments, this will be communicated widely across the organisation. Electronic Purchase Ordering and further improvements on Agresso are being considered as part of the Corporate Services Modernisation Programme.	Payment Team Centralised. Implementation date requires alteration. Purchase to Pay Project will be starting after Direct Debit Project has been implemented. Suggest 75% is changed	75
IA145	Creditors	31/03/11	Manual controls around purchases and payments decrease the effectiveness of the controls. Payments may be made fraudulently and in error and management have limited comfort over the completeness and accuracy of invoices paid.	Med	Further consideration should be given to the introduction of an electronic purchase and matching process within the Agresso system. It is acknowledged that a cost will be incurred in the introduction of this workflow; however it will facilitate improved internal control within the Council.	Agreed. Officers agree that electronic commitment accounting would be more efficient. Systems across the Council are being reviewed during Summer/Autumn 2010.	Denise Sheppard	Dec-10	The centralisation of the payments team is ongoing, and a review of business processes is already underway and a revision of policies and procedures will be carried out to ensure that the Council is working with a single solution towards making payments, this will be communicated widely across the organisation. Electronic Purchase Ordering and further improvements on Agresso are being considered as part of the Corporate Services Modernisation Programme.	Payment Team Centralised. Implementation date requires alteration. Purchase to Pay Project will be starting after Direct Debit Project has been implemented. Suggest 75% is changed	75
IA149	Creditors	31/03/11	Unusual or unauthorised transactions may not be detected, leading to an increased risk or misstatement and fraud.	Med	The Authority should agree upon a suite of exception reports which should be run and reviewed on a regular basis. These should include: 'Incomplete orders, Goods received not invoiced', Invoices raised without purchase orders. Unusual payments, and Changes made to supplier standing data. It is acknowledged that a number of these reports cannot be run from Agresso unless an automated purchase order process is enabled (see issue #2). In these cases, the Authority should consider collating this information manually.	Agreed Changes to supplier data are restricted but no report is run. We will run this in future. Collecting the data manually would be too time consuming and not cost effective. See comment above regarding use of an electronic system.	Denise Sheppard	Aug-10	Electronic Purchase Ordering and further improvements on Agresso are being considered as part of the Corporate Services Modernisation Programme. In the meantime we are currently looking at ways of producing reports to show changes to supplier data or to pick up any unauthorised or unusual transactions. We will also consider other options for exceptional reports to ensure adequate controls are in place.	P2P Project will be rolled out this financial year which should alleviate this problem	20
IA150	Creditors	31/03/11	Overpayments may not be identified on a timely basis.	Med	The Authority should determine a set threshold (both % and £) for when differences between invoices and orders should be followed up. Managers should detail outcomes of investigations on invoices to evidence the action taken. Invoices should not be processed until additional authorisation has been obtained.	Agreed Thresholds to be incorporated into the good practice guide for creditors.	Denise Sheppard	Aug-10	We are currently considering the limits that should be set on this. Once this has been agreed we will advise everyone accordingly and incorporate these limits within our procedures.	All differences are referred back to the Services for amendment and duly authorised. P2P should assist us in this area.	75
IA151	Creditors	31/03/11	Segregation of duties is not adequately maintained. This increases the risk of error and fraud.	Med	The Authority should establish clear policies and procedures with regards to segregation of duties. Best practice would indicate that a separate officer should raise and authorise an order, goods receipt and authorise payment. This policy should be detailed in procedure notes and communicated to all departments. Spot checks should be performed on a sample of transactions to ensure adherence to policies.	Agreed Procedures are in place. The constitution clearly states that ordering and authorisation must be separate. There exists a creditors good practice guide and recently 'top ten tips' was published on the intranet. Agree that officers should spot check to ensure adherence.	Denise Sheppard	Aug-10	The centralisation of the payments team is ongoing, and a review of business processes is already underway and a revision of policies and procedures will be carried out to ensure that the Council is working with a single solution towards making payments, this will be communicated widely across the organisation. Electronic Purchase Ordering and further improvements on Agresso are being considered as part of the Corporate Services Modernisation Programme. The Good Practice guide and Top Ten Tips has been re-issued to all managers and this will be further communicated as part of the business process review.	Segregation of duties in respect of PO to Invoice is in place. The Revenues Team do not raise any PO's. In respect of the services, guidelines are in the final stages of approval and soon to be distributed. Changed from 75% to 85%	85
IA163	Fixed Assets	Feb-09	There is no asset security policy in place at the Authority.	Low	An Asset Security policy should be developed for the Authority. This should cover as a minimum: Responsibility for security at each location; Restriction of access to property; Identification of assets (consideration should be given to tagging); Protection against environmental damage.	Agreed. There is no overarching asset security policy however the following exist: IT security including locks on PCs and security marking, Data security policy, Key cards for access to buildings, Policy and responsibility for locking safes and security of stocks and cash.	Anna Winship	Sep-10	Discussions will take place with internal audit as to the best way to take this forward to implement this policy	Discussions still need to take place with internal audit to ensure we have a way forward with implementing this policy	20
IA172	ICT	27/4/2010	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 validate the level of access available to users in the applications such as CRM and Iworld.	Med	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 should be performed to identify any remove any excess privileges available to users.	Agreed, reports on access rights have been requested to review and amend access rights and this will be carried out regularly	David Oakes	30-Apr-10	Requested audit by PWC as one of the 5 ICT audits during 2011/12	Network AD accounts are now reviewed on a regular basis and County ICT have agreed to provide regular documentation on who has access to the network shares for Finance, People & Equalities, Revs & Bens, Chief Executive. User access reviews for most of our major applications have now been performed and plans are in place to perform similar reviews of the applications still outstanding.	80
IA231	Car Parking	23/3/2010	Refunds may not be noted on a timely basis and may incur a cost to the council. Overpayments may be received. Refunds made by cheque do not represent value for money.	Low	The functionality of the on-line payment system should be reviewed to ensure that excess payments cannot be made for fines. The use of cheques for refunds should be reviewed.	A report is generated from Civica when the payment file is uploaded detailing the amount paid against each penalty notice. Although the penalty notice and the internet make it clear that a reduced payment will be accepted if a penalty is paid within 14 days of issue, some charge notices are paid at the full rate. It is not yet possible to implement a balance facility on the PARIS system and an interface would need to be created with the Civica enforcement system. To minimise the costs of processing a refund, Finance staff will issue a refund for £100 and immediately put through a new payment for £50.	Anna Winship	With immediate effect	Refunds are issued by the same method of the initial payment. Further work will be carried out to look at whether PARIS can upload balances from CIVICA	Work is still ongoing between PARIS and Civica to allow balances to be uploaded	75

IA238	Treasury Management	31/03/10	Cash flow assumptions are not reviewed. Budgetary control may not be robust.	Medium	Actual cash flows should be compared to original budgets on a periodic basis. All variances should be investigated and revised assumptions used for future cash flow setting.	Progress is being made to improve the cashflow to ensure that forecasts are compared against actual movements.	Anna Winship	31st January 2011	Work has started on producing the forecast cashflow for 11/12 and the methodology to be used to ensure actuals are compared to forecasts. This will be ongoing from 1st April 2011	work is still ongoing to ensure that this process meets our needs	80
IA202	Housing Rents	Nov-10	The reconciliation cannot be evidenced as performed and reviewed in a timely fashion.	Low	It is recommended that upon the completion of the quarterly reconciliation a copy of the spreadsheet is saved and locked for editing by a reviewer.	Agreed. This will be implemented.	Janine Graham	31st December 2010 (date of next quarterly reconciliation).	Data is still being input onto the HAM system. This should be completed by 31.03.11. A new field has been entered onto the HAM system which will allow any repayment/payment against a bond or no deposit returned to be linked to the original payment, making it easier to calculate the % of monies returned. I will then calculate the bad debt provision.	As before	40
IA244	Performance Indicators	31/01/11	Data may be inaccurate.	Medium	Departments should be reminded that all invoices must be date stamped upon receipt.	Agreed. Recommendation to be implemented.	Denise Sheppard	With Immediate Effect		Emailed the Services and advised them to date stamp all invoices upon receipt. New users guide also to reinforce. Was 0% now 70%. Invoices received within Revenues are being date stamped upon receipt - some services still not date stamping - this will be addressed via internal logging databases.	70
IA248	Performance Indicators	31/01/11	Recording of data may be delayed.	Low	Corvu access should be provided to sufficient numbers of officers to ensure that performance information can be reported on a monthly basis.	Agreed. Handover training has been completed with other officers to ensure that there is adequate resource to input performance information onto Corvu.	Lucy Cherry	With Immediate Effect	Awaiting delivery of training.	Updater and basic CorVu accessibly training has been completed with key Leisure and Parks Officers. Performance Measure procedures have been written and signed off. Updaters have ownership for completing monthly updates. Super users have been identified and are awaiting training to enable continuity for performance reporting.	90%
IA272	Debtors	31/03/11	Inadequate segregation of duties increases the risk of fraud and misappropriation.	High	The Authority should establish clear policies and procedures with regards to segregation of duties. Best practice would indicate that a separate officer should be responsible for the completion of the works order and its subsequent authorisation. This policy should be detailed in procedure notes and communicated to all departments. Spot checks should be performed on a sample of transactions to ensure adherence to policies.	Agreed. Inappropriate access will be removed with immediate effect to ensure that adequate segregation of duties is upheld. In addition, it is acknowledged that due to the current format of the invoice request form, authorisation cannot be proved and this will be amended. The Council's Good Practice Guide will be updated and circulated to departments.	Paul Jemetta/Nicki Peirce	Immediate/ 31/3/11		Nicki Peirce: Has reviewed and amended access permission within Agresso in respect who can raise Invoices and process Credit Notes (currently only Finance Revenues Team) Removed Paul Jemetta. Guidance notes near completion awaiting final approval fro distribution. 0% to 85%	85
IA273	Debtors	31/03/11	Raising debts below a de minimis level is not cost efficient.	Low	The Authority should consider the introduction of a de minimis level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level. It is acknowledged that it is appropriate to have certain exemptions from this rule (e.g. court charges), but these should be formally documented.	Agreed. A de minimis level for invoices raised will be set and implemented from 1 February 2011. This will be incorporated into the Good Practice Guide and circulated to all departments.	Nicki Peirce	31/01/11		HOF Has agreed to set this limit at £20. This note has been incorporated within our guidance notes soon to be released. 0% to 85	85
IA275	Debtors	31/03/11	Raising of debtor accounts is unnecessarily delayed leading to an adverse impact on cash flow.	Medium	Management should consider prescribing a target time for invoice raising and staff should be reminded of the importance of raising invoices on a timely basis.	Agreed. The good practice guide will be updated and circulated to all departments. In addition, training will be undertaken with departments as requested. The Interim Head of Finance will highlight that invoices must be raised in a timely and accurate manner. Management should consider providing training for relevant staff to ensure that debtors processes are conducted in an accurate, consistent and compliant basis across the Council.	Nicki Peirce/Nigel Kennedy	31/3/11. Immediate.		Guidance notes to be issued, to reinforce appropriate processes are adhered to, ensuring correct signatures are maintained when requesting invoice for approval. Sample checking could be deemed as done, when the request is signed off - thus removing the need to duplicate work and check when invoice has already been issued. 0% changed to 85%.	85
IA281	Debtors	31/03/11	Debtor balances may be overstated if unrecoverable debt continues to be recognised as an asset.	Medium	Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis. The method of calculating the bad debt provision should be reviewed and procedures should be drawn up to help members of the Finance team calculate this going forward.	Agreed. A review has been started into all aged debt balances and procedure notes for the bad debt provision calculation will be completed.	Pete Johnson	01/02/11		MW: the bad debt provision calculation has been review din each area. Once the aged debt reporting has been reviewed we will implement a consistent bad debt calculation. PJ work has started to analyse Trade Waste Bad Debts obtaining instructions from Direct Services to write off if appropriate. Periodics and Sundry Debts debt recovery and write off process continuing. 0% to 45% Name changed by MW to Pete Johnson.	45
IA282	Debtors	31/03/11	Delays or poor performance is not identified leading to adverse impact on the Council's cash flow.	Medium	The Council should consider introducing KPIs to monitor the invoice raising process, for example, time taken to process invoices.	Agreed. A service target will be set to raise invoices within 5 days of receipt of correctly completed request.	Nicki Peirce	Immediate		Covered in guidance notes - soon to be approved and issue. 0% to 85%	85
IA285	Risk Management	31/03/11	Risks may not be managed at a project level.	High	All risk registers should be kept in electronic format within the required shared drive. These should be updated and formally reported to City Executive Board and Audit and Governance Committee on a quarterly basis.	Agreed. Updated risk registers will be maintained for all key projects, partnerships and contracts. Going forward the Council are using reporting software called CORVU which will provide a dashboard to managers of performance information in their area. Risk Management Info is also to be provided.	Anna Winship	Immediate		Corvu is now being used to monitor and report all risks, the next stage of the project is to load project risks	50
IA300	Creditors	31/03/11	Payments may not be made within management's required timeframe to take advantage of discounts or terms agreed upon with suppliers.	Low	The Council should obtain a listing of all early settlement discounts negotiated by procurement. Payment terms for these suppliers should be amended accordingly within Agresso to ensure full advantage of these discounts is taken. The listing should be distributed to departments to remind them to forward invoices received on a timely basis so that discounts can be achieved.	A list of some of the discounts that have been negotiated is available on the intranet. All of these organisations will be marked for immediate payment. Departments are responsible for processing the invoices within the negotiated terms. Therefore the list will be re-circulated.	Denise Sheppard/Nicki Atkin	Immediate		Pete has spoken to Jane Lubbock in respect of obtaining discounts from suppliers - and seeing if we can improve the process. Invoices received within Revenues Team by the current deadline will be processed for the current payment run. Agresso has been updated to identify those suppliers offering us a discount to ensure that discounts are obtained. All updates action immediately	75
IA306	Payroll	31/01/11	Potential reclaims on expense claim expenditure may not be realised.	Medium	The Council should ask that staff submit VAT receipts with all mileage claims. This would allow the Council to reclaim the VAT as part of their year-end VAT return.	Agreed. The process for mileage claims is currently being reviewed. A decision will be made on this by the end of January 2011.	Sean Hoskin	31/01/11		Still under review.	50
RECS LESS THAN 3 MONTHS OUT OF DATE											
IA34	Council Tax	01/10/09	Council not undertaken review of all single person discount accounts.	Med	Review to be done. All individuals to confirm entitlement to discount. When conformation not provided, relief should be suspended.	Data matching exercise with NFI records has highlighted accounts where discount may no longer be applicable. Ongoing review scheduled for next financial year.	Anne Harvey-Lynch	31st March 2011	Project in place working with neighbouring Authorities to outsource SPD reviews to Capita. Due to end of year timescales all Authorities have agreed hat this cannot be done before 31.03.11.	Duplicate of cell 76	n/a
IA35	Council Tax	01/10/09	The Council does not review credit balances of Council Tax accounts.	Med	Efforts made to investigate all accounts in credit - issue refunds/overpayments if necessary. Reports to be run periodically to identify credit balances.	Process to ensure accounts in credit are followed up on a timely basis. Active communication with account holders.	Anne Harvey-Lynch	31st March 2011	Duplicate of cell 77	Duplicate of cell 77	n/a
IA36	Council Tax	01/10/09	Procedures missing from shared drive.	Med	Procedure notes needed for whole Council Tax process. All documents to be held on shared drive.	Responsible officer will be charged with reviewing procedure notes to ensure they are up-to-date.	Anne Harvey-Lynch	31st March 2011	On-going but linked in with implementation of Lagan back office and Lagan scripts	Position same as March 2011. Implementation of Lagan workflow imminent	75
IA208	General Ledger	Nov-10	Codes may be used incorrectly or not identified for management reporting.	Low	A review of cost centre and account codes should be performed to ensure that they remain valid and in use.	Agreed. This will be reviewed as part of the year end process, linking to the new service structures which are being created for 2011/12.	Anna Winship/Martin Westmoreland	31/03/11	Agreed. This will be reviewed as part of the year end process, linking to the new service structures which are being created for 2011/12.	Will be reviewed as part of the budget monitoring improvements to be implemented by 30th September	20
IA264	Collection Fund	31/3/11	Debts are not collected or reviewed on a timely basis.	Medium	The Council should regularly review tenants' accounts in arrears and ensure that reminders, formal notices, etc. are being issued in line with procedure. A review of all accounts in arrears over one year should be undertaken to ensure that necessary legal action has been undertaken with write offs made as appropriate.	Agreed. This is due to a resourcing issue. The Council is looking to merge Council Tax and NNDR to overcome this; however, this is unlikely to happen for some time. Point 3 refers to debts under £1.00 not being efficient to chase and should be written off. One of the procedures required during the annual billing process is the small balance write off programme. The cases identified above would certainly be included in this process and would not be 'chased'.	Anne Harvey-Lynch	31/03/12	As above. N.B - all Council Tax accounts are reviewed not just tenants?	As above	75%
IA267	Collection Fund	31/3/11	Reliefs may no longer be applicable. The Council may not be maximising their income streams.	Low	A review of all single person discount accounts should be undertaken. All individuals should be requested to confirm that they are still eligible for the discount. Where confirmation has not been provided, the relief should be suspended.	Agreed. A data matching exercise with NFI records has just been completed and highlighted accounts where single person discount may no longer be applicable. An overall review has not been performed due to resourcing issues. The Council is looking into going into partnership with neighbouring authorities and outsourcing the review.	Anne Harvey-Lynch	31/03/12	Agreement with neighbouring Authorities to look at starting review early part of 2011-12.	Meeting scheduled for 28.06.11 to review SPD project and pursue funding from County.	10
IA268	Collection Fund	31/3/11	Overpayments and refunds may not be identified on a timely basis.	Low	Efforts should be made to investigate all accounts in credit and issue refunds and overpayments if necessary. Going forward, reports should be run on a periodic basis to identify credit balances.	Agreed. Review of credits has not been performed for a number of years. This has not been done due to: lack of resources and the volume and ability to run report in manageable amounts. With effect from April 2011 a review of accounts put into credit is to be introduced as a weekly admin function. This will prevent further credits balances not being reviewed. Work plan for the review of previous credits is to be introduced wef April 2011.	Anne Harvey-Lynch	31/03/11	In progress. Difficulty in breaking down backlog and current arrears. Working with systems team to produce manageable reports.	Position as at March 2011. Now referred to supplier for guidance (Capita)	45
IA276	Debtors	31/03/11	Debtors are more likely to default on payments if automated direct debits are not set up.	Low	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Agreed. Direct debits are available as a function on Agresso and are being implemented by the authority planned for June 2011.	Pete Johnson	01/07/11		Response linked to point IA84. 0 to 20%. Added Pete Johnson	20

IA317	Debtors	31/05/11	Raising of debtor accounts is unnecessarily delayed leading to an adverse impact on cash flow.	Medium	Management should consider prescribing a target time for invoice raising and staff should be reminded of the importance of raising invoices on a timely basis.	Agreed. The good practice guide will be updated and circulated to all departments. In addition, training will be undertaken with departments as requested. The Interim Head of Finance will highlight that invoices must be raised in a timely and accurate manner. Management should consider providing training for relevant staff to ensure that debtors processes are conducted in an accurate, consistent and compliant basis across the Council.	Pete Johnson	31/03/11		Within revenues team invoices are turned around within 5 days. Other services will be picked up in new guidelines to be issued shortly	75
IA318	Debtors	31/05/11	Debtors are more likely to default on payments if automated direct debits are not set up.	Low	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Agreed. Direct debits are available as a function on Agresso and are being implemented by the authority planned for June 2011.	Pete Johnson	01/07/11		Project to implement direct debits just commenced	20
IA322	Debtors	31/05/11	Inconsistent policies could impact the cash flow of the Council and increase the risk of legal challenge to Council decisions.	Medium	Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.	Agreed. Corporate Debtors follow 2004 approved write off policy for all debts. Write off procedures will be reviewed with the aim to make them consistent. The total value of the write off above was £2,873.56 and this was delayed due to getting the new Director of Finance & Efficiency to sign off. At this point in time the level of debt write off that needed Section 151 sign off was over £2K, this has now been revised to £5K. This is the only write off of that value we had this year which needed S151 officers sign off. All other writes offs can be action by the Head of Service for the business.	Nigel Kennedy	31/03/11		Will be picked up when revised guidelines issued end of June	75
IA325	Debtors	31/05/11	Inconsistencies could lead to inefficiencies in processes, resulting in the Council not maximising its cash flow from its revenue generating streams.	High	In order to ensure that the issues which have been highlighted by this review are addressed effectively within the revised system, it is imperative that staff are fully trained to allow the Council to make best use of the revised structure.	Agreed. This is currently being undertaken as part of the corporate modernisation services program.	Nigel Kennedy	31/07/11		Training will be rolled out shortly and system interrogated to remove non-users	75
NO MANAGEMENT RESPONSE											

EXTERNAL AUDIT REPORT RECOMMENDATIONS
Appendix B

Recommendation	Priority 1=Low 2=Med 3=High	Responsibility	Agreed	Comments/Management Response	Date	Initial Management Response	March 2011 update	May 2011 update	% complete
RECS MORE THAN 3 MONTHS OUT OF DATE									
Certification of Claims and Returns Annual Report - to Audit Cttee 23 Mar 2010									
R8		2 Simon Park/David Oakes	Agreed	All PC and Laptop Assets recorded with user and location details	Jan-11		Work is being undertaken to complete this data collection exercise	Data collected and collated into two spreadsheets which provide the information the auditors require. Ideally we will consolidate into one spreadsheet Programming a sophisticated 'Lookup' required.	90
Equality and Diversity Report - to Audit cttee 24 Sep 2009									
R2		2 Mike Newman, Peter McQuitty, Graham Stratford	Agreed	We will introduce a corporate comments and complaints system that forms part of the performance framework An initial Impact Assessment is currently being undertaken.	Oct 09 - May 10		People & Equalities will be working closely with the recently formed Communities & Neighbourhood team in order to deliver recruitment and selection skill workshops in community centres and be involved in community walkabouts and low level consultation in partnership with their team leaders and locality officers.	Revised corporate complaints procedure in place. Consultation strategy in place. E&D Business Partner has accompanied Locality Officers on walkabouts and discussions on potentially using the skills of a volunteer external trainer to assist with internal staff development opportunities and external job and skill shops.	80
R3		2 Peter McQuitty / Graham Stratford	Agreed	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	Ongoing		A dry run to determine where the Council is against "achieving" level is being completed in March 2011 and we are still on track to apply for the accreditation in September 2011. Service transformation plans are still in draft, we will focus attention on key aspects of service, measuring current provision across equalities strands and implementing improvements accordingly	The dry run completed in March 2011 indicated some confidence that OCC should proceed and aim to achieve a peer group review in the autumn of 2011 (provisionally booked for the first week of October). Scoping meetings with LGID are to be scheduled for June/ July 2011	75
R4		2 Simon Howick	Agreed	Equalities Questionnaire completed and analysis to be undertaken Workforce Plan is complete and an action plan is being developed A review timetable is in place with a list of policies/procedures to be revised The recruitment and selection Policy is part of the policy review timetable	Sept 09 - March 10		A number of activities have been progressed in terms of increasing the diversity of the workforce - despite the current economic climate. This includes presence at the 2011 Oxford Careers Fest, community coaching workshops, Disability Awareness "Two Ticks" accreditation, etc. We are on schedule to ensure the requirements of the Equalities Act 2010 are in place which includes improved monitoring of workforce equalities strands. We have reviewed relevant policies to ensure compliance. We will not be progressing staff networks across strands as there is no desire to do this from the workforce	Commitment to explore more innovative ways of supporting and developing staff has been acknowledged in the internal Annual Workforce Equalities Report (June 2011). The Council continues to endorse the Oxfordshire Apprenticeship Pledge and will explore ways of growing its own talent, secondments/ shadowing and meaningful internships. A review has led to a recommendation that there is a corporate budget of £10k to facilitate adjustments to the workplace to reflect recognised disabilities under the DDA/ Equality Act 2010. Equalities monitoring and awareness will be an integral part of the new Workforce Planning Matrix, with highlight reports being generated from I Trent to assist service heads. We will more actively market the Council as an employer of choice during 2011	80
Equality & Diversity		3 Peter McQuitty	Agreed	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) and Andy Davice (HR). An action Plan for City Works and City Leisure will be developed to ensure that it is flexible to meet the needs of the service. Colin Bailey (CW), Ian Brooke (CL), Melanie Faulkner-Barrett (PPC) and Andy Davice (HR).	30/06/09		Garnett Foundation delivered six workshops (8-10th November 2010) on the revised theme of "Delivering Excellent Customer service: Getting It Right First Time". Scenarios and format were rewritten after input from the E&D Business Partner and with live examples provided by Customer Services. Objective: a solution focused approach to provide OCC with actions to consider regarding policy and practice. Jarlath Brine & Kerry Walker will be holding a feed forward meeting with the Garnett Foundation on December 8th 2010 to discuss further revisions and to plan six more sessions between February-April 2011. Jarlath Brine will also be liaising with Mark Preston and Angela Loveday over the diversity element within the Corporate Induction (ongoing).	Feb-April 2011 Garnett Foundation sessions have been completed. J. Brine met with the GF for a feedback session and will be researching the next stages for staff training 2011/ 2012 to include alternative ways of delivering this, relevant materials and other providers.	90

Equality & Diversity	The CES should be reviewed and updated on an annual basis.	Medium	Peter McQuitty	Agreed	It is agreed that the CES will be reviewed and updated on an annual basis to take into account legislative changes. Monitoring reports will be completed by Melanie Faulkner-Barrett and sent to the Equalities Board. Daniel Rawstorne (Legal) and Simon Howick (HR) will update the legislative changes. August 2009 and March 2010 Melanie Faulkner-Barrett will update the CES. Peter McQuitty and Melanie Faulkner-Barrett. Monthly reports issued from May 2009. Quarterly reports from July 2009. In addition we have also made a commitment in the Transformation Service Plan for PPC that we will, 'Collate and evidence all the work undertaken from August 2008 to March 2009 and issue an annual report'.	31/05/09	Provisional work has been started on reviewing the strategic equality needs and to anticipate any changes required when the current CES will be refreshed in 2011. The Equality Act 2010 will have a significant influence as will the priorities of the new coalition government which are still unclear (90% of the Equality Act came into force in October 2010 but modifications are happening regularly, e.g. the cancelling of the public sector socio economic duty w/c 15th November 2010). The impact of the CSR is also likely to influence council priorities.	Revised CES in draft for circulation late June / early July 2011	75	
Equality & Diversity	The Authority should ensure there are processes in place which allow service areas to share good practice. For example: • identify progress of service areas and compare against each other; • introduce timescales to measure progress; • discuss and monitor progress of service areas at the Wider Leadership Meetings; and • take rectification of action, as appropriate.	Medium	Simon Howick	Agreed	The equalities section that is in the transformation Service Plans are all undergoing an internal review. These plans will be monitored every month to assess progress and will then be discussed at the Directorate meeting with the Strategic Directors. This information will be reported quarterly to the Performance Board. There will also be an equalities item on the Wider Leadership Meetings. Peter Sloman, Mel Barrett, Tim Sadler and all the Heads of Service. Melanie Faulkner-Barrett will collate the monitoring information and update the action plan for circulation Reports will be issued at the beginning of every month for the previous month.	03/02/09	IIP best practice is shared across service areas. The Employee Charter and Competency Framework include clearly defined equalities expectations. E&D Business Partner is producing a series of tool box talks covering equalities, diversity and customer service that can be presented at team meetings and for wider management teams.	A short briefing has been produced and is available to assist Customer Services to understand elements of third party discrimination/harassment that staff might be exposed to from customers.	75	
Equality & Diversity	The Authority should ensure that the website is kept up to date with progress on equality and diversity objectives.	Medium	Peter McQuitty	Agreed	The internet and intranet will be updated to reflect the progress on the CES. Peter McQuitty, Melanie Faulkner-Barrett (PPC), Lynne Hooper (CD) and Jarlath Brine (OCH). 31st march 2009	31/03/09	The content of the external website has seen some updates but still requires further review to reflect recent work. Raise a concern that money is no longer available for the Shaw Trust to monitor the accessibility of the website in light of a recent e-accessibility initiative launched by the coalition government (www.fixtheweb.net). Note that there are an estimated six million disabled and older users in the UK but many sites continue to cause problems for them, and it is also estimated that only 19% of websites meet minimum standards for access.	Access Officer and E&D Business Partner have reviewed the external website, rewritten the content of pages where updates have been required, and met with PCC to discuss how these changes might be reflected on the site (June 2011). It is hoped that all changes can be incorporated on the website by the end of July 2011.	50	
Asset Management Progress Review - to Audit Cttee 27 Apr 2010										
R1	Provide a corporate challenge to the size, form, mix and distribution of the current asset base through the continuation of its programme of property reviews of assets.	H	Steve Sprason		The current Asset Management Plan is in the process of being refreshed, which will for the first time include HRA assets. This will set the vision and direction for the management of the Council's assets between 2011-2013. The draft plan is likely to be produced in draft for circulation around August 2011 with the aim for full adoption by the Council in the Autumn of 2011.	16/6/11	Asset Management Plan currently being refreshed for 2011-2013, including new Action Plan (which will incorporate HRA assets). Draft AMP will be circulated for consultation April 2011 and then formally consulted on prior to adaptation by Full Council.		50	50
R2	Ensure that the strategic plans for assets fully encompass the aims of the Council, and the long-term business plans of the service departments and those of its partners.	H	Steve Sprason		The current Asset Management Plan is in the process of being refreshed, which will for the first time include HRA assets. This will set the vision and direction for the management of the Council's assets between 2011-2013. The draft plan is likely to be produced in draft for circulation around August 2011 with the aim for full adoption by the Council in the Autumn of 2011.	16/6/11	Asset Management Plan currently being refreshed for 2011-2013, including new Action Plan (which will incorporate HRA assets). Draft AMP will be circulated for consultation April 2011 and then formally consulted on prior to adaptation by Full Council.		50	50
R4	Build capacity to manage the asset base strategically.	H	Steve Sprason		Following the re-organisation of Property & Facilities Management to form Corporate Assets in October 2010, the Council now have a fully integrated Asset Management function across both General Fund and Housing Revenue Account portfolios. Further investment in resource has been made since to bolster capacity and skill set in Health & Safety, Building, Letting and Disposals and Strategic Asset Management of the HRA portfolio.	16/6/11	Property and Facilities Management restructured to form Corporate Assets, with the overall strategic responsibility for the General Fund and HRA assets. Facilities Management Review underway to design and implement a Integrated Facilities Management model for City Centre office buildings with the capability to roll out to the wider portfolio.		75	75
R5	Involve area committees in strategic asset management.	Medium	Steve Sprason		It is proposed that the Asset Management Plan will be consulted on locally with the new Neighbourhood Forums, which have replaced the Area Committee structure.	16/6/11	Refreshed AMP will be consulted on with new Neighbourhood Forums prior to formal adoption.		0	50
R6	Clarify plans for improving the condition of the property assets.	Medium	Steve Sprason/John Bellenger		The confirmation of the Strategic Asset Management Plan will bring greater clarity to short, medium and long-term investment and disinvestment decisions.	16/6/11	Asset Management Plan currently being refreshed for 2011-2013, including new Action Plan (which will incorporate HRA assets). Draft AMP will be circulated for consultation April 2011 and then formally consulted on prior to adaptation by Full Council. The Council has agreed the allocation of £7m to fund a prioritised planned maintenance programme for all general fund assets covering the period 2011-2015		50	50
R7	Make investment decisions that encompass the costs, risks and benefits over the whole-life of the asset.	Medium	Steve Sprason				Strategy and Resources board no longer exists, Corporate Asset Management Group will take on this responsibility		50	50

R8	Continue to expand its knowledge about the fitness for purpose and value for money of its assets	Medium	Steve Sprason		A programme of condition surveys are about to be commissioned (June 2011) which will allow prioritisation and work planning of the Planned Preventative Maintenance programme over the next 4 years. The output from this will be fed into the Asset Management Planning process and performance measurement of the portfolio.	16/6/11		As part of the roll out of planned maintenance proposals full condition surveys will be undertaken from April 2011. Suitability assessments are in progress in relation to discrete property categories e.g. community centres, as part of developing our approach to community asset transfer.	50	50
R9	Clarify its approach to the balance between profit and loss on the commercial estate.	Medium	Steve Sprason		A series of Business Process Improvement workshops were held to analyse the current processes of income collection on the Investment Portfolio. The recommendations for short and medium term improvements to the processes were highlighted and should be implemented.	16/6/11		Business Process Improvement (BPI) workshops were undertaken between August-November 2011, to identify and map out the process of income and expenditure within the Investment Portfolio. Recommendations will be formulated and presented by July 2011.	75	75
R13	Undertake regular monitoring and reporting of performance	Medium	Steve Sprason		We will look to develop formal consultation process with internal; customers and occupiers of our buildings as part of the delivery of property services, business planning activities and service Asset Management planning.	16/6/11		Corporate Assets will look to develop a premises questionnaire, which is in scope for the FM Review currently underway.	50	50
R15	Use the scrutiny function to challenge and review the performance of the asset base.	Medium	Steve Sprason		We will look to build scrutiny challenge into both strategy development and property challenge/review.	16/6/11		Asset Management Plan currently being refreshed will use the scrutiny function as part of the process of consultation and adoption. Scrutiny also regularly get involved in asset based projects e.g. offices for the future.	50	50
R1	Continue the work to improve fixed asset accounting and management with Finance and Estates working together		Anna Winship	Agreed	Asset valuations disclosed on the balance sheet were correct. There was not an error of £4.6m; this was just a mistreatment on disclosure note 6.12. A 100% review of asset lives has been undertaken and, where necessary, corrected.	22/11/10		Reconciliations between asset systems are being carried out on a quarterly basis. In the past year new procedures have been instigated to improve fixed asset management, including closer liaison with other teams within the Council (eg Community Housing), improving property records (eg the change note procedures), and the continuing Voluntary Registration Process which involves checking existing OCC property records against the new titles that are being created. These are ongoing	Aas before	75
RECS LESS THAN 3 MONTHS OLD										
Audit Opinion Memo - Oct 2010, agreed with finance team 14 Jan 2011										
R1	The Council should provide a listing of the debtors/creditors at year end and income/expenditure for the year under audit to enable us to pick items included in the balance in the financial statements		Anna Winship	Agreed		01/07/11		It has been agreed that on the 1st April a full listing of ledger transactions will be provided to the DA to enable them to pick their sample in preparation for their time on site	Awaiting commencement of audit	0
R2	Rather than evidence prepared by a member of staff, keep and produce evidence for transactions from external sources where possible		Anna Winship	Agreed		01/07/11		this has been acknowledged and highlighted as part of the working paper requirements for all staff and responsible officers. Throughout the closedown process this will be reviewed to ensure working papers are adequate	Awaiting commencement of audit	50
R3	Rather than ledger prints, keep and produce evidence for transactions from external sources where possible		Anna Winship	Agreed	as previous recommendation	31/03/11		this has been acknowledged and highlighted as part of the working paper requirements for all staff and responsible officers. Throughout the closedown process this will be reviewed to ensure working papers are adequate	Awaiting commencement of audit	50
R4	Ensure final working papers provided for audit support the relevant year's figures in the Accounts		Anna Winship	Agreed		01/04/11		this has been acknowledged and highlighted as part of the working paper requirements for all staff and responsible officers. Throughout the closedown process this will be reviewed to ensure working papers are adequate	Awaiting commencement of audit	50
R5	For journal and some creditor testing, keep supporting information to confirm validity of transactions rather than needing to go back to the originator		Anna Winship	Agreed	The time taken to respond to audit queries was delayed because working papers were kept in the service areas	31/03/11		All working papers will be kept electronically and they have been requested to be returned to Management Accountants to ensure that they are adequate and immediately available. This process will be reviewed throughout the closedown process	Awaiting commencement of audit	50
Annual Audit Letter - to Audit cttee 22 Nov 2010										
R5	Reconcile the Whole of Government Accounts with the financial statements as soon as practicable to ensure that any variances can be readily identified		Anna Winship	Agreed		01/06/11		This will be completed as part of the closedown process in line with the deadlines for completion of the Whole of government Accounts		0

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To: Audit and Governance Committee

Date: 30th June 2011

Item No:

Title of Report: Avoiding Bribery, Fraud and Corruption Policy.

Summary and Recommendations

Purpose of report:

To adopt an Avoiding Bribery, Fraud and Corruption Policy in place of the existing Avoiding Fraud and Corruption Policy

Report approved by: Jeremy Thomas, Head of Law and Governance

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 report and endorse the Avoiding Bribery Fraud and Corruption Policy.

1. Background

- 1.1 The Council's Avoiding Fraud and Corruption Policy has been revised to incorporate adequate bribery prevention procedures in light of the Bribery Act which comes into force on 1st July 2011.
- 1.2 Fraud remains one of the fastest growing areas of crime in modern society and the residents and stakeholders of Oxford City Council have a right to expect that their public funds are secure and handled honestly. They also have a right to expect the highest levels of integrity from their elected Members and Council employees.
- 1.3 Any dishonest act reflects badly on both the Authority and the wider public sector and 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 is an essential part of ensuring that all of the Council's resources are used for the purpose for which they are intended.

2. Issues

- 2.1 The revised policy 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.
- 2.2 Changes have been made to sections 2 and 6 of the Policy as set out below. The revised Policy is appended to this report. The main changes are summarised below:

3. Section 2 – Culture

- 3.1 Under the Bribery Act 2010 a bribe is defined as “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 an advantage;
 - (ii) **Being bribed** i.e. the requesting, agreeing to receive or accepting of an advantage.
- 3.2 Functions and activities are applied 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)

4. Section 6 – Employees

- 4.1 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” and is punishable by a fine or imprisonment.
- 4.2 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. The Council will also 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.
- 4.3 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.

- 4.4 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.
- 4.5 The Policy has also updated to correct names of Service areas and Officers and in addition the policy now expands the reporting line for reporting 'incidents' to include the Chief Executive at the earliest opportunity.

5. Communication

- 5.1 The revised Policy was introduced at the Management Practice Group on 7th June 2011 as part of a Fraud Awareness presentation by PWC.
- 5.2 On approval the revised Policy will go out to all staff; a short piece in Council Matters and a program of awareness sessions will be arranged for all Service areas.
- 5.3 The revised Policy will be made available on both the intranet and the Council's website.

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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 can also be reported on the Council's CONFIDENTIAL 24 hour fraud line number 01865 252222. Reports can be made using the Council's fraudline email address benefitfraudline@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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To: Audit and Governance Committee

Date: 30th June 2011

Item No:

Title of Report: Investigation Team, Finance, Performance 2010/11

Summary and Recommendations

Purpose of report:

1. To report to Members the Investigation Team performance for the period 2010/2011.

Key Decision: No

Board member: Councillor Bob Price

Scrutiny Responsibility: Value & Performance

Ward(s) affected: None

Report Approved by: Lindsay Cane, Law and Governance

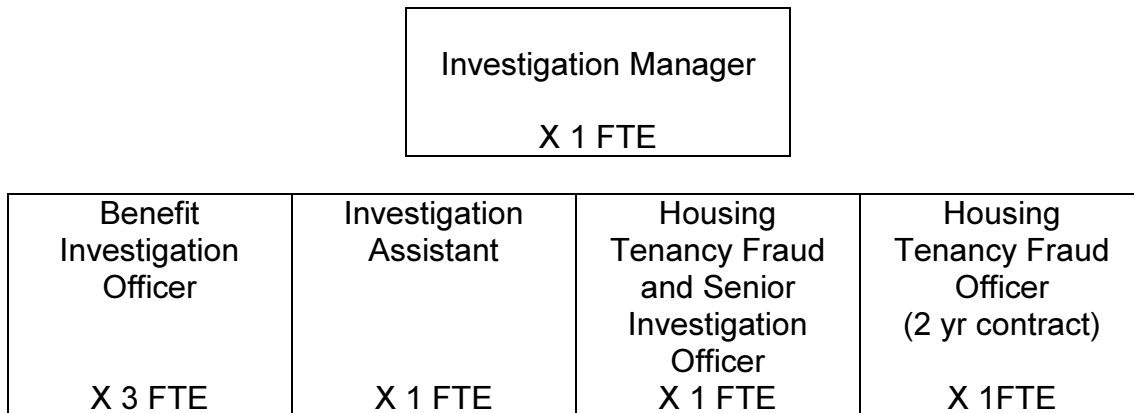
Policy Framework: Financial stability

Recommendation(s): Members are asked to note the report.

1. The Investigation Team have enjoyed another successful year. There has been a restructure as part of the Finance and Efficiency restructure and the team have also moved offices and are now based on the 3rd Floor of St Aldates Chambers.
2. As part of the restructure the team lost 1 full time Welfare Benefit Investigation Officer post and 1 part time Investigation Assistant post. The team did however, gain a new post; a Housing Tenancy Fraud Officer. A much welcomed additional position to address the concerns and growing need to investigate the sub letting of the Council's and other Social Housing properties.
3. The Council has received funding from the Department for Communities and Local Government for 2011/12 and 2012/13 as a result of work completed by the team between 01/03/10 and 01/09/10. Some of this

funding has been used to recruit an additional Housing Tenancy Officer on a 2 year fixed contract.

4. The structure of the new team is;



5. There has also been an announcement that; along with the changes to the Welfare Benefit schemes and the introduction of the Universal Credit between 2013 and 2017, there is to be a single national Fraud Investigation Service. This new organisation is to be in place from 01/04/2013. It will mean that Local Authorities will no longer have the responsibility or the delegated authority to investigate any Welfare Benefit or new Universal Credit offences. The finer detail of how and where this new service will operate from is yet to be announced.
6. The Investigation Team has several performance measures that are reported to the Department for Work and Pension on a monthly basis. Two of these performance measures are reported and recorded monthly on the Council's performance system CorVu. The team are also part of a benchmarking group; members of which are from Oxfordshire, Buckinghamshire and Wiltshire.
7. In 2010/11 these measures have been affected by the rising number of people claiming Housing and Council Tax Benefit. At the beginning of the year the average number of people claiming benefit was 11,767 by the end of the financial year this had grown to 12,682.
8. We started the year carrying some 300 live investigations. Throughout the year the team received in total 1424 benefit referrals (excluding the 300 cases carried). 346 either; required no action, were referred onto Job Centre Plus, or were referred to the benefit section for further action. We completed 1052 investigations within the year and finished the year carrying 326 live investigations.
9. As a result of the work done within the team overpaid benefit has been realised to the value of £588,077. This overpayment figure attracts 40% subsidy from the DWP giving potential revenue to the Council of £392,446.

10. The team have successfully prosecuted, cautioned or administered penalties against 86 claimants who have been found to have committed offences under the Social Security Administration Act. Those who were prosecuted received a general cross section of sentencing, custodial, community punishment orders, fines and curfews.

The level of overpayments linked to the sanctioned cases totalled £207,656

11. The key performance indicators for the Investigation Service as reported to the Chief Executive are:

- **Numbers of completed investigations per 1000 live benefit case load.** The target for the year was 87.87. However, this has not been met. This can be attributed to the loss of one Investigator for the last quarter and also the increase in the average number of people claiming benefits. The achieved performance for this measure for 2010/11 was 82.95
- **Number of sanctions per 1000 live benefit case load.** The target was set at 6.62. This performance measure was exceeded and reached 6.78 despite the increase in the increase in the number of claimants.

12. In addition to the investigation of welfare benefit claims the team, working in partnership with the Council's Housing Officers, took part in the national drive to crack down on the unlawful subletting of properties in the Social Housing sector. The work was for a 6 month period between 01/03/10 and 01/09/10. As at 01/09/10 the results were as follows;

- 6 properties recovered & let to new tenants.
- 2 properties awaiting allocation- notice expired
- 6 properties under notice
- 7 properties under investigation with a most likely outcome of legal action to repossess the property.

The Audit Commission has calculated the loss to a Local Authority per property is @ £75,000.

Some of these properties were sublet whilst the absent legal tenant was claiming both housing and council tax benefit for the property. The investigation also stopped these payments attracting a weekly benefit saving of £1,515

13. The Housing Investigation Officer post received 84 referrals within the 6 month period. All were looked into.
46 investigations were commenced.
21 delivered the outcomes outlined above.

21 were referred back to the Housing Estate Manager at the end of the 6 month period.

4 remain within the investigation team.

16% of referrals resulted in the recovery of council property

The work completed was as a result of concerns being referred by either a member of staff, a member of the public or the Audit Commissions National Fraud Initiative.

14. The table showing all performance measures for benefit investigations in 2010/11 is attached at Appendix 1. The Benchmarking Group performance table for 2010/11 is attached at Appendix 2

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COUNTER FRAUD PERFORMANCE MEASURES TO DATE**2010/2011**

Performance Measure No.	<u>2010/11 Target</u>	Actual 2009/10	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2011</u>	<u>Year to Date 2010/11</u>	Year to date 2009/10
<u>Live Case Load</u>	<u>11767</u>	<u>11812</u>	<u>11849</u>	<u>12282</u>	<u>12476</u>	<u>12682</u>	<u>12682</u>	11812
HBMS No of Data Matches Yr to date (Accum)	<u>710</u>	702	<u>193</u>	<u>339</u>	<u>619</u>	<u>844</u>	<u>844</u>	702
HBMS No of Data Match Referrals Rtd (per month)	<u>650</u>	633	<u>129</u>	<u>199</u>	<u>226</u>	<u>185</u>	<u>739</u>	633
HBMS. No of DM Referrals that identify Fraud (per month)	<u>50</u>	34	<u>7</u>	<u>12</u>	<u>14</u>	<u>29</u>	<u>62</u>	34
No. of Fraud Referrals HBRF 6	<u>1180</u>	1176	<u>265</u>	<u>351</u>	<u>507</u>	<u>301</u>	<u>1424</u>	1176
No. of Fraud Referrals per 1000 caseload	<u>100.28</u>	99.56	<u>22.36</u>	<u>28.58</u>	<u>40.63</u>	<u>23.73</u>	<u>112.29</u>	99.56
Fraud Investigator per 1000 caseload	<u>0.34</u>	0.36	<u>0.51</u>	<u>0.34</u>	<u>0.32</u>	<u>0.24</u>	<u>0.34</u>	0.36
No. of FT fraud investigator HBRF 5	<u>4</u>	4.28	<u>6</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>4.25</u>	4.28
Total no. of cases investigate & closed HBRF7a	<u>1034</u>	967	<u>236</u>	<u>319</u>	<u>277</u>	<u>220</u>	<u>1052</u>	967

COUNTER FRAUD PERFORMANCE MEASURES TO DATE**2010/2011**

Performance Measure No.	<u>2010/11 Target</u>	Actual 2009/10	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2011</u>	<u>Year to Date 2010/11</u>	Year to date 2009/10
<u>Live Case Load</u>	<u>11767</u>	11812	<u>11849</u>	<u>12282</u>	<u>12476</u>	<u>12682</u>	<u>12682</u>	11812
No of DWP cases investigate HBRF 7b	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0</u>			0
No of Fraud Investigate & close per 1000 caseload	<u>87.87</u>	<u>81.87</u>	<u>19.92</u>	<u>25.97</u>	<u>22.20</u>	<u>17.35</u>	<u>82.95</u>	81.87
No. of Sanctions per 1000 case load	<u>6.62 (78)</u>	7.11	<u>1.18 (14)</u>	<u>1.22 (15)</u>	<u>1.44 (18)</u>	<u>3.08 (39)</u>	<u>6.78 (86)</u>	7.11 (84)
No. of Cautions HBRF8	<u>48</u>	<u>47</u>	<u>6</u>	<u>7</u>	<u>12</u>	<u>33</u>	<u>58</u>	47
No. of CTAX Cautions	<u>No Target</u>	1	<u>0</u>	<u>0</u>	<u>0</u>			0
Prosecution CTAX		1	<u>0</u>					1
No. of Ad Penalties HBRF9a	<u>10</u>	17	<u>4</u>	<u>5</u>	<u>4</u>	<u>5</u>	<u>18</u>	17
No of DWP Ad Pens HBRF 9b	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0</u>			0
Cases accepted prosecution HBRF 10a	<u>20</u>	25	<u>6</u>	<u>3 (7 with Sols)</u>	<u>3 (7 with Sol P)</u>	<u>0</u>	<u>12</u>	25

COUNTER FRAUD PERFORMANCE MEASURES TO DATE**2010/2011**

Performance Measure No.	<u>2010/10 Target</u>	Actual 2009/10	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2011</u>	<u>Year to date 2010/11</u>	Year to date 2009/10
<u>Live Case Load</u>	<u>11767</u>	11812	<u>11849</u>	<u>12282</u>	<u>12476</u>	<u>12682</u>	<u>12682</u>	<u>11812</u>
Cases DWP accepted prosecution HBRF 10b	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0</u>			0
No. of Successful Prosecution HBRF 11a	<u>20</u>	20	<u>4</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>10</u>	20
No. of DWP Prosecution HBRF 11b	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0</u>			0
ENABLES								
E 24 Risk Assess Referrals Av 10 day	<u>10</u>	15.84	<u>16.65</u>	<u>31.68</u>	<u>21.83</u>	<u>5.50</u>	<u>18.92</u>	15.84
E25 Starts Investigate Av 10 days of RA	<u>10</u>	3.97	<u>2.3</u>	<u>2.13</u>	<u>1.30</u>	<u>1.67</u>	<u>1.86</u>	3.97
Report of O/P O/P and Subsidy claimed		£'S 785,781 422,476	£ <u>103,279</u> <u>59,132</u>	£ <u>195,703</u> <u>133,552</u>	£ <u>149,450</u> <u>115,455</u>	£ <u>137,645</u> <u>84,307</u>	£ <u>586,077</u> <u>392,446</u>	£ 758,781 422,476

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Benchmarks	Oxford	Swindon	Wycombe	West Oxon	Vale of WH	Aylesbury	Chiltern	South Oxon	South Bucks	Cherwell
TOTAL BENEFIT Case Load	12,682	18678	10,731	5,870	6271	10,500	4686	6674	3,489	9312
Number of Pensioners in caseload	4,104	4547		2,872	3031		2572	3201		3943
No of Investigators	4,25	2	3	1.9	1.45	1.5	1.5	1.45	0.4	1.9
Annual Target for Sanctions	78	105		56	35 points pp	40 points TEAM TOTAL	30	35 points pp	51 points	56
TOTAL Prosecutions, AdPens and Cautions (including joint ones)	58	34	53	16	30	26	14	27	15	25
Cautions	18	6	12	29	8	5	4	7	9	14
Adpens	10	19	17	9	5	8	2	10	2	19
Successful Prosecutions	2	11	2	1	0	0	1	0	1	3
Cautions	0	3	4	1	1	0	1	0	1	2
Adpens	4	18	13	2	2	7	0	4	1	6
Successful Prosecutions	n/a	N/A		17		n/a	n/a			
Council Tax Penalties benefit fraud warning/repemand letters	n/a	N/A				15	6			
TOTAL of all EFFECTIVE IUC's (including JOINT ones)	n/a	N/A	112	92	95	63		75		145
Joint interviews Under Caution	na/	N/A	0	14	8	24		2	12	not kept
TOTAL closed referrals by source and type - see tables	1424	572	277	244	583	503		525	55	795
Number of cases open on last day of month	326	114	188	71	226	201	21	240	32	114
TOTAL overpayments identified by Benefit Fraud Investigation (DWP benefits not included)	586,077	375,771.81	£485,133.00	£316,690.40	£145,642.79	£351,049.92	112,074.91	£157,187.27	£123,481.00	£173,336.97
Overpayments identified from PROSECUTIONS and SANCTIONS (already included in above figure)		172,911.47	£314,262.63				66,341.88		£81,084.00	£64,605.51

Benchmarking Q4 10-11 Fraud Table. All figures should be cumulative

Type of Fraud	Swindon				Wycombe				West Oxon				VWH				South Oxfordshire							
	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful				
Working & Claiming undeclared income/benefits	33	0	17	8	58%	31	18	15	19	50.00%	48	1	24	19	50.00%	117	59	22	14	212	61	26	17	224
Working & Claiming undeclared capital/assets	12	0	6	3	64%	11	7	6	1	20.00%	10	0	2	1	20.00%	34	11	5	1	51	16	5	1	22
LTAAHAW	22	0	2	0	31%	26	8	5	5	11.54%	78	3	9	5	11.54%	77	43	2	2	124	60	39	2	103
Others in Household	3	0	2	0	56%	9	5	4	3	11.54%	26	0	3	3	11.54%	80	61	7	3	151	45	43	11	8
False Identity	0	0	0	0	0%	0	0	0	0	0.00%	0	0	0	0	0.00%	0	0	0	0	0	0	0	0	0
Contrived Tenancy	3	0	0	0	25%	4	1	1	0	0.00%	0	0	0	0	0.00%	11	5	0	0	16	3	0	0	3
Landlord Fraud	0	0	0	0	0%	1	0	0	0	0.00%	0	0	0	0	0.00%	0	0	0	0	0	0	0	0	0
Non Residency	6	0	5	0	45%	20	9	2	4	25.00%	16	0	4	3	25.00%	90	52	2	2	146	88	71	3	1
Other	4	0	0	0	75%	4	3	2	1	33.33%	3	0	1	1	33.33%	0	0	0	0	0	0	0	0	0
Total	98	0	41	11	53%	227	120	82	67	27.46%	244	6	67	54	27.46%	583	342	68	43	1036	525	347	72	44

Type of Fraud	Aylesbury				South Bucks				Chiltern				Oxford				Cherwell							
	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful				
Working & Claiming undeclared income/benefits	169	60	28	27	16%	16	1	13	13	81%	143	52	22	14	16%	193	106	50	28	26%	106	61	26	17
Working & Claiming undeclared capital/assets	30	6	1	1	33%	8	1	1	1	12.5%	42	19	15	4	36%	11	6	3	2	60%	11	6	3	2
LTAAHAW	120	80	14	9	12%	10	1	3	3	30%	198	148	22	8	11%	102	77	12	7	12%	102	77	12	7
Others in Household	39	31	4	3	10%	6	0	1	1	16.7%	171	48	23	0	13%	63	61	1	0	9%	63	61	1	0
False Identity	3	1	0	0	0%	0	0	0	0	0%	1	0	0	0	0%	0	0	0	0	0%	0	0	0	0
Contrived Tenancy	5	4	1	0	20%	2	1	0	0	0%	14	6	2	1	7.1%	8	4	3	2	75%	8	4	3	2
Landlord Fraud	0	0	0	0	0%	0	0	0	0	0%	0	0	0	0	0%	1	0	0	0	0%	1	0	0	0
Non Residency	60	27	12	2	20%	1	0	1	1	100%	191	60	33	8	4%	66	60	3	2	5%	66	60	3	2
Other	13	3	1	1	7.7%	0	0	0	0	0%	397	7	51	16	4%	51	43	3	0	38%	51	43	3	0
Total	503	244	80	44	16%	55	6	26	26	47%	1424	372	246	88	6%	795	607	102	58	7%	795	607	102	58

Benchmarking 10-11 Q4 Source Table. All figures should be cumulative.

Origin of Work	Oxford					Swindon					Wycombe					South Oxon					VWH				
	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful
From Section	195	178	27	12		10	0	2	0		32		7	3	22%	44	14	4	1	63	45	15	9	6	75
HBMS	732	0	189	57		28	0	20	3		75		44	26	59%	366	256	59	37	718	348	223	41	29	641
NFI	58	0	7	2		0	0	0	0		14		11	6	79%	12	5	6	3	26	20	11	2	1	34
DWP	15	0	13	8		25	0	0	7		22		17	16	77%	11	6	2	2	21	25	11	6	3	45
Royal Mail DNR	0	0	0	0		0	0	0	0		5		4	1	80%	0	0	0	0	0	1	0	0	0	1
Anonymous Letter	23	14	0	0		0	0	0	0		2		1	1	50%	24	20	0	0	44	14	9	0	0	23
Anonymous Telephone Call	47	31	7	4		9	0	0	0		15		4	3	27%	58	40	1	1	100	68	58	5	1	150
Pro-active Work	3	0	1	0		0	0	0	0		3		1	0	33%	0	0	0	0	0	0	0	0	0	0
Private landlords	0	0	0	0		3	0	3	0		0		0	0	0%	1	0	0	0	1	9	3	1	1	14
From Other LA Depts	32	24	2	0		1	0	0	0		15		3	2	20%	2	2	0	0	4	21	8	2	0	31
Intervention	4	0	0	0		0	0	0	0		38		26	23	68%	0	0	0	0	0	0	0	0	0	0
Website	4	0	0	0		2	0	0	0		5		1	1	20%	7	4	0	0	11	4	0	0	0	4
Other	315	125		3		20	0	3	1		1		1	0	100%	0	0	0	0	0	10	4	2	2	18
Total	1424	372	246	86		98	0	28	11		227		120	82	53%	525	347	72	44	988	583	342	68	43	1036

Origin of Work	Aylesbury					Chiltem					West Oxon					South Bucks					Cherwell				
	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful	No of Cases Closed	Not Investigated	Successful	Sanctions	% Successful
From Benefits Section	58	31	9	6							89	3	20	16	22.47%	27	1	16	16		171	110	34	21	56%
HBMS	133	1	70	18							48	0	28	26	58.33%	10	1	5	5		368	315	32	21	60%
NFI	0	0	0	0							0	0	0	0	0.00%	5		2	2		12	0	8	4	67%
DWP	36	9	22	14							5	0	2	1	40.00%	1		2	2		33	13	13	6	65%
Royal Mail DNR	0	0	0	0							0	0	0	0	0.00%	2					0	0	0	0	0%
Anonymous Letter	30	27	2	0							4	1	1	1	25.00%	1		1			34	34	0	0	0%
Anonymous Telephone Call	128	103	5	2							46	1	6	3	13.04%	3		1			77	61	3	1	19%
Pro-active Work	44	23	5	3							5	0	3	2	60.00%	1		1			1	0	1	1	100%
Private Landlords	17	10	1	0							0	0	0	0	0.00%	4		1	1		0	0	0	0	0%
From Other LA Depts	19	6	3	1							12	0	2	2	16.67%	1		1			66	47	9	3	47%
Intervention	0	0	0	0							0	0	0	0	0.00%						0	0	0	0	0%
Website	35	31	0	0							6	0	1	0	16.67%						9	9	0	0	0%
Other	3	2	0	0							29	1	4	3	13.79%						24	18	2	1	33%
Total	503	243	117	44		244	6	67	54	27.46%	55	6	26	26	54%	795	607	102	58	54%	795	607	102	58	54%

Benchmarking Q4 10-11 Sanction Fraud Type. All figures should be cumulative.																												
Type of Fraud	Oxford			Swindon			Wymcombe			West Oxon			VWH			South Oxon												
	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total								
Working & Claiming	8	3	1	10	2	0	6	6	6	3	6	15	8	13	3	0	24	10	2	2	14	14	1	2	17			
Undeclared Income/benefits	43	0	2	54	0	0	4	47	4	6	4	47	4	12	2	0	18	17	2	2	21	9	2	5	18			
undeclared capital/assets	1	1	2	3	0	0	0	3	4	0	2	6	1	0	0	0	1	0	0	1	1	0	0	0	0			
LT/HAW	0	4	4	8	0	0	0	0	1	1	3	5					5	2	0	0	2	0	0	2	2			
Others in Household	0	0	0	0	0	0	0	0	3	1	0	4	1	1	0	17	19	1	2	0	3	4	3	1	8			
False Identity	0	0	0	0	0	0	0	0	0	0	0	0						0	0	0	0	0	0	0	0			
Continued Tenancy	0	1	1	2	0	0	0	1	0	0	0	1						0	0	0	0	0	0	0	0			
Landlord Fraud	0	0	0	0	0	0	0	0	0	0	0	0						0	0	0	0	0	0	0	0			
Non Residency	2	1	2	5	0	0	0	0	1	1	0	2	1	1	0	0	2	2	0	2	0	2	0	1	0	1		
Other	6	0	0	6	0	0	0	0	0	0	2	2	1	1	0	0	2	0	0	0	0	0	0	0	0			
Total	59	18	10	86	5	0	6	11	53	12	17	82	16	29	9	17	71	32	6	5	43	27	7	10	44			
% of Sanctions									65%	15%	21%																	
	Chiltern			Aylesbury			South Bucks			Cherwell																		
Type of Fraud	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total
Working & Claiming					20	3	5					13	13	4	11	28												
Undeclared Income/benefits					1				4	3		7	7	6	4	17												
Undeclared Capital/Assets					1		1			1		1	0	1	1	2												
LT/HAW					1	1	2			1	1	2	3	2	2	7												
Others in Household					2					1	1	2	0	0	0	0												
False Identity					0	0	0			0	0	0	0	0	0	0												
Continued Tenancy					0	0	0			0	0	0	0	1	1	2												
Landlord Fraud					0	0	0			0	0	0	0	0	0	0												
Private Landlords					0					0	0	0	0	0	0	0												
Non Residency					1	1						1	1	0	1	2												
Other					0								0	0	0	0												
Total	26	5	8	39	15	9	2	26	24	14	20	58	41%	24%	35%	100%												
% of Sanctions																												

Benchmarking Q4 10-11																																									
Source of fraud	Oxford			Swindon			Wychcombe			West Oxon			VWH			South Oxon																									
	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total	Cautions	Ad-Pens	Prosecutions	Total																					
From Benefits Section	4		1	5	1	0	0	1	3	0	0	0	3	6	0	0	0	6	1	0	1	1																			
HBMS	43	9	2	54	3	0	0	3	21	3	2	26	20	8	2	30	25	6	4	35																					
NFI	1	1	2	4	0	0	0	0	5	1	0	6	1	0	0	1	1	1	1	2	3																				
DWP	2		4	6	1	0	6	7	3	5	8	16	0	0	3	3	0	0	0	2	2																				
Royal Mail																																									
DNR					0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0																				
Anonymous Letter					0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0																				
Anonymous Telephone Call	2		2	4	0	0	0	0	1	0	2	3	1	0	0	1	0	0	0	1	1																				
Pro Active					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
From Other LA Depts					0	0	0	0	0	0	2	2	0	1	0	1	0	0	0	0	0																				
Intervention					0	0	0	0	19	2	2	23	0	0	0	0	0	0	0	0	0																				
Website					0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0																				
Other	8	6	3	17	0	0	0	0	0	0	0	0	0	2	0	0	2	0	0	0	0																				
Total	58	18	10	86	5	0	6	11	53	12	17	82	30	9	5	44	27	7	10	44																					
% of Sanctions									65%	15%	21%																														
Chiltern																																									
Cautions			Ad-Pens			Prosecutions			Total			Cherwell			Cautions			Ad-Pens			Prosecutions			Total																	
From Section																																									
HBMS					16	1	0	17	4	3	1	13	7	12	3	6	21	10	7	4	21																				
NFI					1	3	6	10	2	1	1	2	1	1	1	2	4	2	1	3	6																				
DWP					1	3	6	10	2	1	1	2	1	2	1	3	6	2	1	3	6																				
Royal Mail					0																																				
DNR					0																																				
Anonymous Letter					2																																				
Anonymous Telephone Call					0																																				
Private					0																																				
Leads/Referrals					0																																				
ProActive					1	1	2	2	2	1	1	2	1	2	1	2	4	0	0	1	1																				
From Officer					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
LA Depts					0	0	0	0	0	1	0	1	1	0	0	3	3	0	0	0	3																				
Intervention					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
Website					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
Other					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																				
Total					26	5	8	39		15	9	26	25	14	19	58	43%	24%	33%	100%																					
% of Sanctions																																									

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AUDIT AND GOVERNANCE COMMITTEE

Monday 28th March 2011

COUNCILLORS PRESENT FOR THE WHOLE OF THE MEETING: The Chair (Councillor Beverley Hazell), The Vice-Chair (Councillor Clark Brundin), Councillors Roy Darke, Bryan Keen, Scott Seamons, David Williams and Stephen Brown (attending as a substitute for Councillor David Rundle).

OFFICERS PRESENT FOR THE WHOLE OF THE MEETING: Mathew Metcalfe (Law and Governance), Peter Sloman (Chief Executive), Jacqueline Yates (Corporate Director, Finance and Efficiency), Nigel Kennedy (Head of Finance), Maria Grindley and Alan Witty (Audit Commission), Katherine Bennett and Richard Bacon (Pricewaterhousecoopers).

OFFICERS PRESENT FOR PART OF THE MEETING: Jeremy Thomas (Law and Governance) and Carol Quainton (Finance).

78. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor David Rundle (Councillor Stephen Brown attended as a substitute).

79. DECLARATIONS OF INTEREST

None declared.

80. AUDIT COMMISSION PROGRESS REPORT

The Head of Finance submitted a report on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 2009/10 audit plan.

Alan Witty from the Audit Commission introduced the report and highlighted the work undertaken on IFRS and some small outstanding issues with officers concerning cash flow and the statement on the movement of reserves. With regard to objections to the accounts, there were a number and not just the one previously highlighted by Mr Feeney.

Councillor Brundin asked with regard to the objections whether the Audit Commission was comfortable at the approach of officers. In response Peter Sloman said that the main objection from Mr Feeney concerned members not declaring

interests with regard to the Core Strategy, however no part of his objection was upheld, but despite this, the objection had cost the authority in excess of £10k. Councillor Darke suggested that the complaint would have been better dealt with by the Standards Committee. In response Peter Sloman said that Mr Feeney had been advised of this more appropriate route. He concluded that the Council had nothing to learn from this objection/complaint as the Council had done nothing wrong.

The Committee agreed to note the report.

81. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT – AUDIT COMMISSION

The Head of Finance submitted a report on behalf of the Audit Commission which summarised the findings from certifying the 2009/10 claims and included messages arising from the assessments and the Councils arrangements for preparing claims and returns and information on claims that the Audit Commission had amended or qualified.

Alan Witty from the Audit Commission introduced the report.

Councillor Keen raised a point concerning the fees. In response Jacqueline Yates said that there was a line in the budget for Audit Commission fees and an element of this covered grant claims. She added that the Council always tried to minimise the number of additional audit days.

Councillor Brown commented on the increase in the fee for Housing and Council Tax. In response Alan Witty said that the fee depends on what is found during the audit and varies from year to year.

Councillor Brundin asked if there was now an adequate control environment that officers were satisfied with. In response Jacqueline Yates said that it was easier to put controls in place in some areas than others. With regard to Housing and Council Tax Benefit, this was a complicated area and was currently going through a service restructure, however all of the necessary training would follow and be in place.

The Committee agreed to note the report.

82. FINAL ACCOUNTS CLOSEDOWN AND TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – 2010/11

The Head of Finance submitted a report on behalf of the Audit Commission which updated the Committee on the Council's progress on the transition of the Council's accounts to International Financial Reporting Standards (IFRS) and the preparations for the closedown of the 2010/11 accounts.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Hazell raised concern that some statements in the report stated that the Audit Commission was happy, when this was not quite the case. In response Nigel Kennedy said that there were some outstanding issues, however what had been agreed had been produced.

Maria Grindley, Audit Commission, said that she would not give assurance at this stage until all of the work was completed.

Councillor Brown was concerned at the misunderstanding and asked for assurance that this would not happen again. In response Jacqueline Yates said that she had spoken with Alan Witty on the two issues concerning the movement of reserves and the one issue on pension liabilities. Alan Witty said that this had not been through the Audit Commission review process to give an assurance. Councillor Hazell added that a report such as this should always be passed through the Audit Commission.

Nigel Kennedy said that to achieve IFRS compliance the 2009/10 accounts had to be restated and this would be used as a platform for the 2010/11 closedown.

The Committee agreed:

- (a) To note the report;
- (b) That the Chair and Vice-Chair would meet with the Corporate Director, Finance and Efficiency and the Head of Finance at the end of May 2011 to discuss the progress on achieving IFRS and closedown.

83. RISK MANAGEMENT QUARTERLY REPORTING – QUARTER 3, 2010/11

The Head of Finance submitted a report which provided a summary of the changes to the Corporate Risk Register and Service Risk Register submitted as part of the Quarter 3 update.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Brundin said that he was pleased to see that risk management was now a standard procedure. Councillor Hazell added that it would be useful for the Committee if officers that dealt with risks come to future meetings and updated the Committee on how the significant risks were being management, for example the Homelessness Service.

The Committee agreed:

- (a) To note the report;
- (b) To place on the agenda for the next scheduled meeting of the Audit and Governance Committee an item on Homelessness and Risk Management and to invite the Head of Service for this area to the meeting.

84. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report which updated the Committee on the progress on the implementation of audit recommendations.

Nigel Kennedy, Head of Finance, introduced the report.

Councillor Hazell raised concerns that equality and diversity issues were still outstanding and that further work that was required was not happening. Councillor Brown added that the Value and Performance Scrutiny Committee had also looked at this.

Richard Bacon following further comments said that some recommendations had been straightforward to implement. However there had been cases where other issues had “crept” into the recommendations as part of the monitoring and while the original recommendation had been dealt with and implemented this additional information, meant that it would not show as being implemented.

The Committee agreed:

- (a) To note the report and to ask that completed and implemented recommendations be removed from the list;
- (b) To invite the Head of People and Equalities to the next scheduled meeting of the Audit and Governance Committee to allow for an update on the progress of the implementation of the equalities and diversity recommendations to be given.

85. INTERNAL AUDIT SUMMARY REPORT – 2010/11 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 audit plan.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report.

The Committee agreed to note the report.

86. INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2011/12 - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report on behalf of the Council’s Internal Auditors, Pricewaterhousecoopers (PWC) which outlined the proposed audit work for the coming year, based on an analysis of the key risks facing the Council.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report. Maria Grindley from the Audit Commission said that she had also been in discussion

with PWC on the Plan to reduce the risk of duplication between the Internal and External Audit Plans.

The Committee agreed to note the report.

87. TREASURY MANAGEMENT PLAN PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the findings of an audit of Treasury Management.

Katherine Bennett from Pricewaterhousecoopers (PWC) introduced the report and stated that a Limited Assurance had been given following the audit.

Jacqueline Yates said that in terms of oversight, monthly meetings with managers were being held and that she was ensuring that all appropriate checks were in place, although there was always more that could be done. A new Treasury Manager had been recruited and would be joining the Council shortly and was a dedicated resource to treasury management. She further added that it had also been agreed that the Value and Performance Scrutiny Committee would receive a quarterly update.

Councillor Brown asked if there were any financial implications to the Council with regard to the Council being overdrawn 6 times in the past year. In response Nigel Kennedy said that this was a serious issue and staff and monitoring had been put in place to ensure that this did not happen again, however the Council would be liable for additional interest payments.

Councillor Brundin raised concerns on the actual level of compliance and asked if assurance could be given that this level would have improved by the next meeting of the Audit and Governance Committee. In response Nigel Kennedy gave this assurance.

The Committee agreed to note the report.

88. POST IMPLEMENTATION REVIEW OF PARIS AND ITRENT PROJECTS

The Corporate Director, Finance and Efficiency submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC).

Katherine Bennett from Pricewaterhousecoopers introduced the report and said that the review had looked at project implementation, which in this case covered payroll. She took the Committee through the findings and recommendations.

Jacqueline Yates said that it was important to understand that these were two projects that were critical to the close of accounts. Thankfully they did not cause problems, but lessons could be learned and that was why she commissioned this

report. She said that all of the related ICT staff had now been brought together which would allow for better co-ordination and the project management methodology was being reviewed. A Project Management Office was also being created and this had generated positive outcomes on how the Council managed projects.

Councillor Brown said that it seemed that issues stemmed from the specification or lack of, at the beginning of projects. In response Jacqueline Yates said that the right stakeholders had to be engaged with and the specification should clearly detail what was wanted.

Councillor Hazell commended Jacqueline Yates for commissioning this report, and this was supported by the rest of the Committee.

The Committee agreed:

- (a) To note the report;
- (b) To request the Corporate Director, Finance and Efficiency to submit a report to the next scheduled meeting of the Audit and Governance Committee on the review of the project management methodology.

89. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 31st January 2011 subject to the following amendments:

- (a) In minute 68, Progress on the implementation of Audit recommendations, delete the whole of the fifth paragraph.

90. MATTERS ARISING FROM THE MINUTES

- (a) Minute 68, Progress on the implementation of Audit recommendations

Councillor Brundin asked if there were any issues that should come back to the Audit and Governance Committee following reports in the local media on the Housing Benefits Service. In response Peter Sloman said that it was reasonable to request a report updating the Committee on the implementation of the recommendations. He added that he felt that the Benefits Service was a good service that had improved and work continued to sustain this improvement and he highlighted that new applications were now processed in 11 days and renewals in 7 days, however he acknowledged that the telephone service still required further improvements.

The Committee agreed to request the Head of Customer Services to submit a report to the next scheduled meeting of the Audit and Governance Committee on the implementation of audit recommendations concerning the Housing Benefit Service.

91. MATTERS EXEMPT FROM PUBLICATION

The Committee agreed that, under Section 100A(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the remaining item of business on the grounds that their presence would involve the likely disclosure of information as described in paragraphs 2, 3 and 7 of Part I of Schedule 12A of the Act and to record that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

92. 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 5.00 pm and finished at 6.45 pm

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AUDIT AND GOVERNANCE COMMITTEE

Wednesday 1 June 2011

COUNCILLORS PRESENT: Councillors Hazell (Chair), Darke, Keen, Mills and Van Nooijen.

OFFICERS PRESENT: Mathew Metcalfe (Democratic Services)

1. ELECTION OF CHAIR FOR THE COUNCIL YEAR 2011/12

Councillor Beverley Hazell was elected as Chair for the Council Year 2011/12.

2. ELECTION OF VICE-CHAIR FOR THE COUNCIL YEAR 2011/12

Councillor Clark Brundin was elected as Vice-Chair for the Council Year 2011/12.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Clark Brundin.

4. DATES AND TIMES OF FUTURE MEETINGS

The Committee agreed to note the dates of future meetings and that these meetings would commence at 6.00pm in the Town Hall.

The meeting started at 4.30 pm and ended at 4.35 pm

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