

Oxford County Council Progress Report

Year ended 31 March 2024

18 September 2024 (DRAFT)

Audit and Governance Committee
Oxfordshire County Council
Oxford
OX1 1ND

18 September 2024

Dear Audit Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit Committee with an overview of the current status of the Council's 2023/24 audit.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Stephen Reid

For and on behalf of Ernst & Young LLP

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Contents

- Progress Update:
 - Financial Statements
 - Value for Money

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Oxfordshire County Council. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Progress Update - Financial Statements

Status of the 2023/24 audit

2023/24 financial statements

Our Provisional Audit Planning Report identified the key areas of focus for our audit of the Council's 2023/24 financial statements. Based on the work performed during our audit planning, we have concluded that there were no changes in the PFI model and therefore accounting for the PFI liability is no longer classified as an inherent risk. There have been changes in some of the assumptions outside of the model which we are in the process of reviewing. There have been no other material changes to our audit plan.

This page sets out our progress and observations on work to date on these areas.

The audit has been progressing well with the support of the Council's accounting team, who have provided timely responses and have been available to answer our queries. Where there have been delays, these have been escalated timely to management and appropriate action has been taken. The audit team has been resourced according to the planned audit timeline; we continue to emphasise that any delays could result in an impact on the expected completion date of the audit.

Risk / area of focus	Risk identified	Progress to date
Management Override: Misstatement due to fraud or error	<i>Fraud</i>	We are undertaking our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls through our work to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<i>Fraud</i>	Our work in this area is well progressed and subject to internal review. There are no issues that we wish to draw to your attention at the date of this report.
Valuation of Investment Property and Land and Buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	<i>Significant</i>	We selected a sample for review of investment property and property, plant and equipment valuations, including a sample for EY specialist review. We shared the sample with the Council, along with the audit evidence requirements. The Council has provided the supporting evidence as of the date of this report and our internal valuation experts have been commissioned to support our work now we have received the required evidence.

Status of the 2023/24 audit

2023/24 financial statements

Risk / area of focus	Risk identified	Progress to date
Pensions Liability Valuation	<i>Inherent</i>	We have requested the letter to support our work from the auditor of Oxfordshire Pension Fund which is due to us by the end of October. We engaged EY Pensions to develop an auditor's estimate for the pension liability. The response is due to us by the 15 September.
IFRS 16	<i>Inherent</i>	Management has not disclosed the impact of IFRS 16 in the draft financial statements nor disclosed the level of progress as required by the CIPFA code. This will be reported in our Audit Results Report.



Progress Update - Value for Money

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

In our provisional Audit Planning Report, presented to the April meeting of the Audit Committee, we reported that we were undertaking our VFM planning work and would update the committee in due course on whether we identified risks of significant weaknesses in arrangements.

We have completed VFM planning and no such significant risks have been identified to date. We are in the process of completing our VFM work and if any weaknesses are identified, we will report the findings in the Audit Results Report.