

Oxfordshire County Council Pension Fund

Audit results report for the year ended 31 March 2013

10 September 2013

Ernst & Young LLP



Private and confidential

Audit and Governance Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

10 September 2013

Dear Sirs/ Mesdames

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to Oxfordshire County Council Pension Fund's (the Fund's) financial position and results of operations for 2012/13. We will issue our final conclusion after the Audit and Governance Committee scheduled for 18 September 2013.

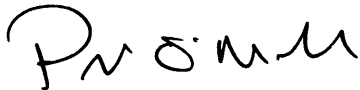
Our audit is designed to enable us to express an opinion on financial statements taken as a whole. This report contains our comments and observations related to the areas of audit emphasis, our views on the Pension Fund's accounting policies and judgments and material internal control findings. These comments are provided to inform and assist those charged with governing the Pension Fund.

This report is intended solely for the information and use of the Audit and Governance Committee and the Fund. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting scheduled on 18 September 2013.

Yours faithfully



Peter O'Neill
Partner
For and on behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

The Fund is responsible for preparing and publishing its Statement of Accounts, Annual Report and the Governance Compliance Statement.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Reviewing the Annual Report for consistency ; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of many of the procedures outlined in our Audit planning report, we anticipate issuing an unqualified opinion on the Fund's financial statements.

We identified no significant risks to our opinion.

Review of the Annual Report

We have reviewed the Annual Report for consistency with the financial statements. We have no matters to raise with you.

Control themes and observations

Our audit has identified no significant deficiencies in internal control to date.

Scope update

There has been no change in the scope of our work since we issued our Audit planning report.

Summary of audit differences

Our audit has identified no significant amendments to the statements to date.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit planning report issued on 17 April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We carried out our work in accordance with our Audit planning report with no changes to the scope of our work.

3. Findings from the financial statement audit

In this section of our report we outline the main findings from our audit. We identified no significant risks to our opinion. We set out below any key findings on the areas of audit emphasis outlined in our Audit planning report.

Financial statements audit

Fund Valuation

Description

There was an update to the fund valuation in 2013. The valuation was based on data sent to the actuaries from the Pension Fund. In 2011/12 we recommended that controls should be evidenced to provide assurance on the accuracy of data sent to the actuary for the valuation.

Findings and conclusion

We found that the Pension Fund had evidenced controls over the accuracy of data sent to the actuary for the update valuation. We did however find that the audit trail supporting the data was complex and further working papers and reports were required to fully support the data as part of the audit.

We are also required to report any other relevant matters to you. We have one other matter to report:

Area	Ernst & Young comments
Payment of contributions into the Fund	Contributions should be paid to the fund within 19 days of the end of the month to which they relate. Despite the existence of a process of reminders to minimise delays we noted that 70 payments were received after this deadline during 2012/13.

Review of the Annual Report

We have reviewed the Annual Report for consistency with the financial statements. We have no matters to raise with you.

4. Control themes and observations

As part of our work, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies.

We have reported to you above a finding regarding the strength of the audit trail and evidence supporting data sent to the actuary. We have no further findings to report.

Publication on electronic media

The Council is responsible for the accurate presentation of the financial statements, audit report thereon and other reports submitted in relation to the audit and for establishing security and controls over them in order to ensure the continued integrity of the information presented. The examination of the controls over electronic presentation of audited financial information and reports by the auditor on the Council's web-site is beyond the scope of the audit of the financial statements.

5. Status of our work

5.1 Financial statement audit

Our audit work for our opinion on the Fund's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Journals testing	Provision of further evidence	Management
	Review and conclusions	Ernst and Young
Investments and investment income	Completion of work	Ernst and Young
Completion and review of file on finalisation	Final review of work and statements	Ernst & Young
Letter of representation	To be discussed at Audit and Governance Committee on 18 September 2013.	Management and Audit and Governance Committee
Final versions accounts	<ul style="list-style-type: none"> ▶ finalisation of any further amendments ▶ Approval of accounts by Audit and Governance Committee ▶ Accounts re-certified by Assistant Chief Executive and Chief Finance Officer 	Management, Audit and Governance Committee and Ernst & Young

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report on the Fund's financial statements and annual report. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
Total Audit Fee – Code work	24,108	24,108	24,108

Our actual fee is in line with the agreed fee. We completed no non-audit work in 2012/13.

7. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We have identified no amounts to date - individually or in aggregate - material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

We have identified a small number of known differences to the notes and narrative which have been corrected by management. We have not identified any differences which are significant enough to be reported within this report.

We have not identified any differences to date that management have not corrected.

8. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit planning report presented 17 April 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and us. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Governance Committee on 18 September 2013.

Appendix A Required communications with the Audit and Governance Committee

We must provide certain communications to the Audit and Governance Committee. These are:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit planning report
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Other matters, if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements relating to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected significant misstatements 	Audit results report - but no issues arising to date
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Fund ▶ Any fraud we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Letter submitted April 2013
Related parties Significant matters arising during the audit in connection with the Fund's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Fund 	Audit results report - but no issues arising to date
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - but no issues arising to date

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the committee may be aware of 	<p>Audit results report - but no issues arising to date</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report and update in section 8 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report - but no issues arising to date</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Opening Balances</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance s 	<p>Audit results report - but no issues arising to date</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the Fund). 	<p>Audit planning report and Audit results report</p>

Appendix B Letter of representation

Ernst & Young
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Reading
Berkshire RG1 1YE

Oxfordshire County Council
County Hall
New Road
OXFORD, OX1 1ND

Telephone: 01865 792422
Fax: 01865 726155

Joanna Simons
Chief Executive

September 2013

This matter is being dealt with by Sue Scane
Email: sue.scane@oxfordshire.gov.uk

Direct Line: 01865 816399

Audit of Oxfordshire County Council Pension Fund for the 2012/13 year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Oxfordshire County Council Pension Fund ("the Pension Fund") for the year ended 31 March 2013. I recognise that obtaining representations from management concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013, and of the amount and disposition at the end of the year of its assets and liabilities, in accordance with applicable law and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Accordingly, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary:

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA

LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for keeping records in respect of contributions received in respect of active members of the Pension Fund and for making accurate representations to you.

2. I confirm that the Pension Fund is a Registered Pension Fund. I am not aware of any reason why the tax status of the Pension Fund should change.
3. I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Pension Fund in accordance with Accounts and Audit (England) Regulations 2011 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and are free of material misstatements, including omissions. I have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. I believe that the Pension Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

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

2. I have not made any reports to The Pensions Regulator, nor am I aware of any such reports having been made by any of our advisors.
3. I confirm that I am not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
4. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Pension Fund year or subsequently concerning matters of non-compliance with any legal duty. I have drawn to your attention all correspondence and notes of meetings with regulators.

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
 - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested for the purpose of the audit and
 - Unrestricted access to persons within the Council (on behalf of the Pension Fund) from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Pension Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. I have made available to you all minutes of the meetings of the Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 6 September 2013.
5. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. I have disclosed to you, and the Pension Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Pension

Fund members or the Pension Fund during the Scheme year or subsequently.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and confirm the Pension Fund has given no guarantees to third parties.

F. Subsequent Events

There have been no events subsequent to the end of the reporting period which require adjustment of or disclosure in the financial statements or notes thereto.

G. Advisory Reports

I have not commissioned advisory reports which may affect the conduct of your work in relation to the Pension Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

I confirm that no trustee of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. I confirm that all investments in derivative financial instruments have been made after due consideration by the Pension Fund Committee of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in scheme risk, facilitate efficient portfolio management, and that any such investment has been made so as to avoid excessive risk exposure to a single counterparty and to other derivative operations. The Pension Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the trustees at the scheme year end and the terms and conditions relating thereto.

3. The trustees have duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Pension Fund is holding, and these have been communicated to you.

J. Actuarial Valuation

The latest report of the actuary (Barnett Waddingham) as at 31 March 2010 and the update for 2012/13 has been provided to you. To the best of my knowledge and belief I confirm that the information supplied by the Pension Fund to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Accounting Estimates

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

L. Investment managers' control reports ISAE 3402

The latest reports available do not cover the whole of the 2012/13 audit year. I can confirm that I am not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours sincerely,

Signed:

Name Sue Scane
Position Assistant Chief Executive and Chief Finance Office

I confirm that this letter has been discussed and agreed at the Audit & Governance Committee on 18 September 2013.

Signed:

Name David Wilmshurst
Position Chairman of the Audit & Governance Committee

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