

Oxfordshire County Council Pension Fund

Audit and Governance Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

17 September 2014



Building a better
working world

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Executive summary

Key findings

| Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit up to the drafting of this report on 29 August 2014. It includes the messages arising from our audit of your financial statements. As of 17 September 2014, we expect to issue an unqualified opinion on the financial statements.

Our audit results demonstrate, through the few matters we have to communicate, that the Pension Fund has prepared its financial statements appropriately.

Extent and purpose of our work

The Council's responsibilities

Oxfordshire County Council as the administering authority of the Pension Fund is responsible for preparing and publishing its Statement of Accounts, which includes the financial statements of the Pension Fund.

The Council is also required to prepare a separate Annual Report and Statement of Accounts for the Pension Fund.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements of the Pension Fund
- Report on any inconsistencies with the Annual Report.

In addition, where appropriate this report contains our findings related to the areas of audit emphasis, our views on the Pension Fund's accounting policies and judgments and significant deficiencies in internal control.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud. This is because of its ability to manipulate accounting records (directly or indirectly) and to prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. 	<p>From the procedures that we have currently completed we have no matters to bring to your attention from our testing.</p>

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit and Governance Committee meeting:

- ▶ Receipt of a Letter of Representation
- ▶ Final Review of Financial Statements
- ▶ Incomplete:
 - Consistency check with the Annual Report;
 - Transfer of assets to new custodian;
 - Agreeing contribution disclosures;
 - Investment classification, disclosure and analytical review; and
 - Final reviews of file and our internal documentation.

- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected Misstatements

To date we have not identified any uncorrected misstatements. We will inform the Committee of any uncorrected misstatements identified between the drafting of this report and the Audit and Governance Committee on 17 September 2014.

Corrected Misstatements

To date we have not identified any misstatements which warrant communicating to you. We will inform the Audit and Governance Committee of any corrected misstatements identified between the drafting of this report and the Committee meeting on 17 September 2014.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Fund's financial reporting process including the following:

- ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- ▶ Any significant difficulties encountered during the audit; and
- ▶ Other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit (continued)

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council and the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council and Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council and the Pension Fund only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Pension Fund's financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We are not requesting any specific representations in addition to the standard representations.

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan 2014.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. 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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. 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 17 September 2014.

- ▶ We confirm that we have met the reporting requirements to the Audit and Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements was set out in our Audit Plan 2014.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee – Code work	24,108	24,108	N/A
Non-audit work	0	0	N/A

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Uncorrected audit misstatements

- The following misstatements, which are greater than £815,000 have been identified during the course of our audit.
- These items have not been corrected by management.
- No such misstatements have been identified to date. We will inform the Committee of any uncorrected misstatements identified between the drafting of this report and the Audit and Governance Committee on 17 September 2014.

Net Assets and Fund Account

Item of Account	Nature	Type	Net Assets	Fund Account
	Description	F, P, J	Debit/(Credit)	Debit/(Credit)
1.				
2.				
3.				
4.				
Cumulative effect of uncorrected misstatement				

- **Key**
- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

Appendix 1 - Uncorrected audit misstatements

- The following misstatements, have been identified during the course of our audit and in our professional judgement warrant communicating to you.
- These items have not been corrected by management. We will inform the Committee of any uncorrected misstatements identified between the drafting of this report and the Audit and Governance Committee on 17 September 2014.

Disclosures

Disclosure	Description of misstatement
1.	
2.	
3.	
4.	

Appendix 2 - Corrected audit misstatements

- The following corrected misstatements, have been identified during the course of our audit and warrant communicating to you.
- These items have been corrected by management within the revised financial statements.
- No such misstatements have been identified to date. We will inform the Committee of any corrected misstatements identified between the drafting of this report and the Audit and Governance Committee on 17 September 2014.

Net Assets and Fund Account

Item of Account	Nature Description	Type F, P, J	Net Assets Debit/(Credit)	Fund Account Debit/(Credit)
1.				
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3.				
4.				
Cumulative effect of corrected misstatement				

Key

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Disclosures

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1.	
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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.

