



Oxfordshire County Council  
Audit Results Report

Year ended 31 March 2017

An aerial night photograph of a city street. The street is illuminated by streetlights, creating a warm glow. On the left side, there is a bicycle rack with several bicycles parked. A car is visible on the left side of the road. The road has white lane markings and a large white arrow pointing forward. The overall scene is a mix of urban infrastructure and nighttime lighting.

6 September 2017

Dear Audit and Governance Committee Members

We have substantially completed our audit of Oxfordshire County Council for the year ended 31 March 2017.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King  
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

# Contents

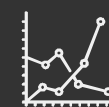
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

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 (updated September 2015)" issued by the PSAA 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, other members of the Council and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, other members of the Council 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, other members of the Council 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 obtaining our written consent.



**01** Executive Summary



## Executive summary

### Overview of the audit

#### Scope and materiality

In our Audit Plan presented to the January 2017 meeting of the Audit and Governance Committee, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £10,270,440. We reassessed this using the actual year-end figure, which has decreased this amount to £9,704,760. The threshold for reporting unadjusted audit differences has decreased from £513,522 to £485,238. The basis of our assessment of materiality has remained consistent with prior years at 1% of gross operating expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and
- Members' allowances.

#### Status of the audit

We have substantially completed our audit of Oxfordshire County Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, amendments may arise:

- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission
- completion of our work on WGA, valuations, provisions, service concessions and borrowings.



## Executive Summary

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### Executive summary (continued)

#### Objections

We have received one objection to the 2016/17 Pension Fund accounts from a member of the public. The objection has been made on the grounds that in the view of the elector the Pension Fund Committee to has failed to actively manage the risk posed by the Fund's investment in fossil fuels.

We are currently assessing this objection and seeking legal advice as appropriate. We will continue to keep management informed, including the potential impact both on signing the financial statements and issuing the audit completion certificate.

We are not in a position to determine whether we will be able to issue the audit completion certificate at the same time as the audit opinion until we have assessed the impact on our responsibilities of the notice of objection.

We have also been considering the objection received to the 2015/16 statement of accounts in respect of the Council's lender Option Borrower Option (LOBO) loans, as set out in our 2015/16 Audit Results Report. We have issued our Provisional Views to the objector and the Council, and are considering the response received from the Council. We expect to issue our determination of the Objection and our Statement of Reasons by 30 September 2017.

#### Audit differences

To date we have not identified any unadjusted or adjusted audit differences arising from our audit above our reporting threshold.





## Executive Summary

### Executive summary (continued)

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Oxfordshire County Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

#### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



## Executive Summary

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### Executive summary (continued)

#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office. We are currently concluding our work in this area and will report any matters arising to the Audit and Governance Committee.

We have no other matters to report.

#### Control observations

To date we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

#### Independence

Please refer to Appendix B for our update on Independence.





# 02 Areas of Audit Focus



# Audit issues and approach: Revenue Recognition

### Revenue Recognition

#### What is the risk?

Risk of fraud in revenue recognition  
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

#### What did we do?

- We reviewed and tested revenue and expenditure recognition policies;
- We tested material revenue and expenditure streams;
- We tested the valuation of accruals and provisions;
- We tested the existence of valuation of debts and accrued income;
- We reviewed accounting estimates for evidence of management bias; and
- We reviewed and tested revenue cut-off at the period end date.

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.



# Audit issues and approach: Management Override

### Management override

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.  
We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any issues from our testing of the MIRS adjustments note.

#### What is the risk?

**Risk of management override**  
As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. In addition to the risk details outlined from our Audit Plan above, we have identified an additional risk that management could use the Movement in Reserves (MIRS) adjustments to add or remove items from the Comprehensive Income and Expenditure Statement (CIES) to alter the reserve position of the Council. Such adjustments would not change the outturn in the CIES but could inflate reserves artificially.

#### What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias;
- We evaluated the business rationale for any significant unusual transactions;
- Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised;
- We completed the Disclosure Checklist provided by CIPFA to ensure that the correct items are disclosed in the MIRS adjustments; and
- We identified and substantively tested movements on the Note "Adjustment between Accounting Basis and Funding Basis under Regulations" (MIRS adjustments note).



## Areas of Audit Focus

### Other audit issues arising



#### Accounting for Property, Plant and Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Our internal valuation expert's consideration of the work performed by the Council's valuer, Carillion Capita Symonds, including the adequacy of the scope of the work performed, professional capabilities and the results of their work. Including a review of the valuation method and assumptions used by the valuer ;
- The review and sample testing over the key asset information used by Carillion Capita Symonds in performing their valuation (for example, floor plans to support valuations based on price per square metre and application of valuation techniques on specialised assets such as schools);
- Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review of the desktop review performed by management over assets not subject to valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- Consideration of external evidence of assets values via reference to the specific Local Government Gerald Eve report commissioned by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by Carillion Capita Symonds and the desktop review by management;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Considered whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.
- In addition our internal experts have reviewed the service concession for care homes following a request from the Council to review the accounting treatment following the provision of a new care home. We will report our findings when the review is complete which will be complete before our opinion date.

We have not yet concluded on our work on valuation's but to date have not identified any material issues in the valuations based on our work performed.



## Areas of Audit Focus

### Other audit issues arising (continued)



#### Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £1.033 million (£756,952 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the audit engagement team of the Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council;
- Assessing the conclusions drawn on the work and assumptions used by Barnett Waddingham (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC;
- A review of the report and work produced by PwC by EY Pension experts; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

At the time of writing this report we have concluded our work with the exception of receipt of the formal IAS 19 protocol reporting from the Oxfordshire Pension Fund auditor. As auditors of the Pension Fund we are aware that there are no issues arising from this.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. Our Pension experts have queried some of the assumptions made by Barnett Waddingham, for example the methodologies [used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the specific duration of the scheme's liabilities](#). Our experts have assessed that in the short term the application of the assumptions does not impact on the figures in the Statements of Account and we have undertaken sensitivity analysis to confirm this. However they may do in the future. Discussions are taking place between Barnett Waddingham and our experts and we will keep the Director of Finance updated on them.

No other issues have been identified in completing our work.





# 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

##### Opinion on the Council and firefighters' pension fund financial statements

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Expenditure and Funding Analysis,
- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 60,
- The firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

##### Respective responsibilities of the *Director of Finance* and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities set out on page 17, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.





# Audit Report

## Draft audit report (continued)

### Our opinion on the financial statements

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and the firefighters' pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

#### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Audit Report

## Our opinion on the financial statements

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Oxfordshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### *Council's responsibilities*

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### *Auditor's responsibilities*

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

## Our opinion on the financial statements

### *Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Oxfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### Certificate

We are concluding on an objection to the Council's accounts concerning the use of Lender Option Borrower Option (LOBO) loans on the 2015/16 Statement of Accounts. We are also considering a potential objection to the 2016/17 Pension Fund accounts. Until these issues are resolved we will not be able to issue our completion certificate.

Paul King  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Reading  
September 2017



04

## Audit Differences



# Audit Differences

## Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as '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.

### Summary of adjusted differences

We have included all known amounts greater than £485,238 relating to Oxfordshire County Council in our summary of misstatements table below.

To date we have not identified any misstatements in the financial statements or disclosures above our reporting level.

To date we have not identified any uncorrected misstatements.



# Audit Differences

## Audit differences (continued)

### Summary of unadjusted differences

We highlight the following misstatements in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the [\[Audit Committee\]](#) and included in the Letter of Representation:

Account [Header Option 1] [Insert date] 201X (£'000)	Comprehensive income and expenditure statement (Increase)/Decrease	Balance sheet (Decrease)/Increase			
Account [Header Option 2] [Insert date] 201X (£'000)	Comprehensive income and expenditure statement Debit/(Credit) Current Period	Assets current Debit/(Credit)	Assets non- current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors:					
Judgemental differences:					
Balance sheet totals					
Income effect of uncorrected misstatements					
Cumulative effect of uncorrected misstatements before turnaround effect					
Turnaround effect. See Note 1 below.					
Cumulative effect of uncorrected misstatements, after turnaround effect					
Uncorrected disclosure differences					
Note X of the financial statements:					

Table to be removed if no unadjusted errors identified.



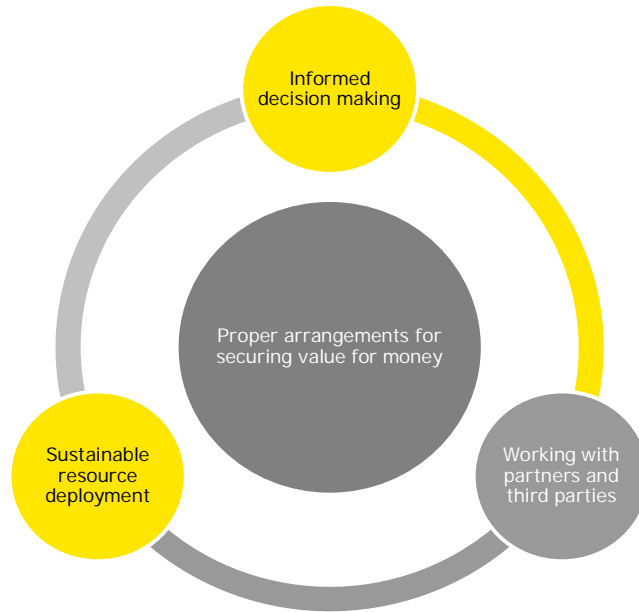


# 05 Value for Money





## Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement. We have also reviewed the Council's performance across a number of areas by reviewing key performance and budgetary reports produced by the Council. We have reviewed how the Council have managed the in-year overspend on Children's services during the year to achieve a satisfactory outturn position.

### Overall conclusion





06 Other reporting issues





## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit and Governance Committee.



## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

Subject to the determination of the objection to the Council's 2015/16 Statement of Accounts and our consideration of the notice of objection to the 2016/17 Pension Fund Accounts we did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Movement in Reserves Statement;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Property, Plant and Equipment.

No significant findings have been made on any of the areas outlined above.



07

## Assessment of Control Environment



# Assessment of Control Environment

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## Assessment of control environment

### Financial controls

It is the responsibility of the Council 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 has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We are concluding on our in this area and will update you on its completion. To date we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





08

# Data Analytics





## Journal Entry Testing

### What is the risk?

In line with ISA 240 we are required to rest the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### On what judgements are we focused?

Using our analytics tools we are able to take a risk focused approach to identify journals with a higher risk of management override.

#### Facts and Figures

Number of Journals Posted:  
**771,057**

Average Number of Journals Posted per Day:  
**1,928**

Average Number of Lines per Journal:  
**3**

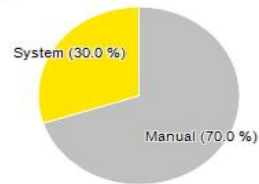
#### Operational Efficiencies

Manual Journals Posted at weekend:  
**3,092**

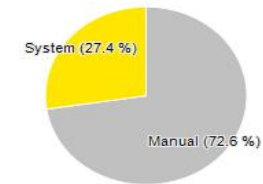
Manual journals where gross amount is < £5:  
**9,242**

Journal lines with zero value:  
**0**

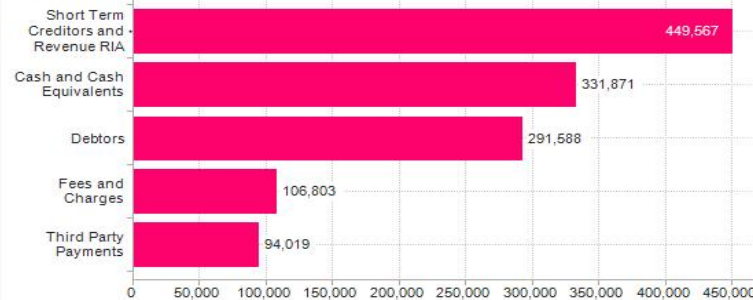
#### Manual v System by Volume



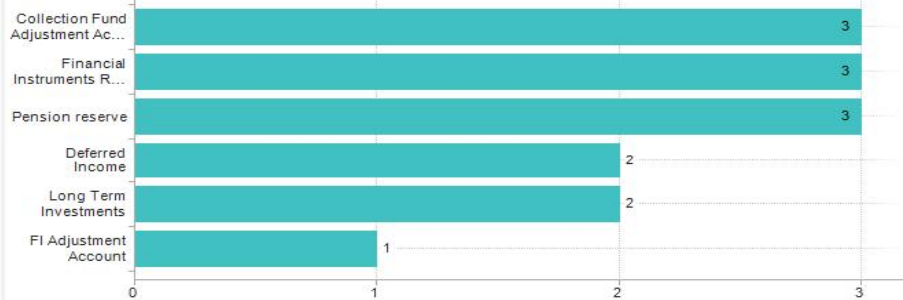
#### Manual v System by Value



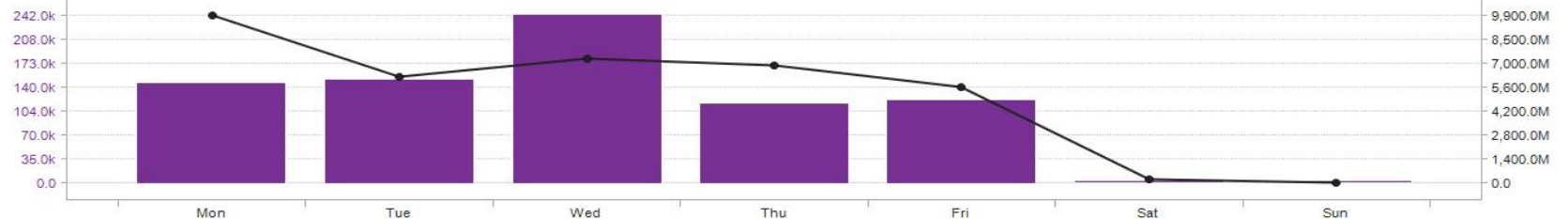
#### Top Five Activity Accounts



#### Bottom Five Activity Accounts



#### Days of the Week



### What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

A close-up photograph of a person's hand sorting through a filing cabinet. The hand is reaching into a drawer filled with numerous folders of various colors (yellow, white, blue). The folders are overflowing with papers, some of which are visible and appear to be forms or documents. The background is a light-colored, textured wall.

# 09 Appendices



## Appendix A




# Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have done this by:

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	January 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Any significant difficulties encountered during the audit</li> <li>• Any significant matters arising from the audit that were discussed with management</li> <li>• Written representations we have requested</li> <li>• Expected modifications to the audit report</li> <li>• Any other matters significant to overseeing the financial reporting process</li> <li>• Findings and issues around the opening balance on initial audits (delete if not an initial audit)</li> </ul>	September 2017 Audit Results Report
Going concern	<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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Oxfordshire County Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	September 2017 Audit Results Report







# Appendix A

		 Our Reporting to you
Required communications	What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Audit and Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit and Governance Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, where applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Audit and Governance Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>▶ Asking the Audit and Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit and Governance Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm's general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	January 2017 Audit Plan  September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	January 2017 Audit Plan  September 2017 Audit Results Report





## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. 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 which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 6 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

	Final fee 2016/17 £s	Planned fee 2016/17 £s	Scale fee 2016/17 £s	Final fee 2015/16 £s
Total audit fee - code work	109,958**	109,958	109,958	109,958*
Certification of claims and returns – Transport claim	0	0	0	15,150
Certification of claims and returns – Teachers Pension	0	0	0	15,000
Total	109,958	109,958	125,108	140,108

Notes:

\* - there will be an additional fee for 2015/16 in respect of our consideration of the LOBO loans objection.

\*\* - subject to our consideration of the notice of objection received in respect of the Pension Fund accounts there will be an additional fee for this work





## Appendix C

# Accounting and regulatory update

### Progress report on implementation of new standards and regulations

In previous reports to the Audit and Governance Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on Oxfordshire County Council 
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken a number of steps to prepare for early closedown including reviewing and amending closedown procedures to achieve earlier accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>• Issued a thought piece on early closedown</li> <li>• As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales</li> <li>• Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017</li> </ul> <p>Locally we have:</p> <ul style="list-style-type: none"> <li>• Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable</li> <li>• Together with the Council agreed areas for early work which have included testing of major income and expenditure streams at month 9, testing of additions and disposals of property, plant and equipment.</li> </ul>





## Appendix D

# Management representation letter

### Management Rep Letter

To be prepared on the entity's letterhead  
*Date*

To:  
Paul King  
Director  
Ernst & Young LLP  
Apex Plaza,  
Forbury Road  
Reading RG1 1YE

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us 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 Council's financial position of Oxfordshire County Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our 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, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



## Appendix D

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

When there are unadjusted audit differences in the current year or we determine that the current year effects of correcting prior year differences are significant. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. **We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]**

Paragraph to be removed in final version if no unadjusted differences are identified.

### B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.



## Appendix D

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### C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

### D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and its relevant committees (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 following date: 31 August 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are 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.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council 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.



## Appendix D

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### **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. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

### **F. Subsequent Events**

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### **G. Use of the Work of a Specialist**

When the Council has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### **H. Estimates**

1We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

2We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.





## Appendix D

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3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

### **I. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### **Signed on behalf of Oxfordshire County Council**

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee on 6 September 2017.

Signed:

\_\_\_\_\_  
Director of Finance

\_\_\_\_\_  
Chairman of the Audit and Governance Committee

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