Audit Progress Report
Oxfordshire County Council
April 2018
Members of the Audit and Governance Committee
Oxfordshire County Council
County Hall
New Road
Oxford
OX1 1ND

13 April 2018

Dear Members,

Audit Progress Report 2017/18

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit and Governance Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2017/18 audit and to ensure our audit is aligned with Committee expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office’s 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

Yours faithfully

Paul King
Associate Partner
For and behalf of Ernst & Young LLP
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (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 from 1 April 2015’ issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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. Planned work

Fee Letter and Audit Plan
We issued our 2017/18 Fee Letter to the Council in April 2017 and our 2017/18 Audit Plan was presented to the Audit and Governance Committee meeting on 7 March 2018.

Financial Statements
We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2017/18 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. This includes meetings with staff from the Council to discuss issues arising from the 2016/17 audit and to examine ways to enhance the audit process for the 2017/18 financial statements, in particular to carry out early substantive testing as set out below.

Interim visit
Systems
We completed our interim work to identify the Council’s material income and expenditure systems and to walk through these systems in November 2017.

Early Substantive Testing
We scheduled an interim visit in March 2018 to carry out early substantive testing covering the first nine months of the year. Our main areas of focus were:

► income and expenditure testing;
► Property, Plant and Equipment (PPE) additions, disposals, existence and valuations testing;
► review of significant contracts;
► accounting policies;
► exit packages; and
► testing of starters and leavers.

Where we have completed testing to month nine, we will perform top up testing in these areas at year end. Carrying out this early substantive testing will reduce the time required to complete the audit at the post statements stage.

Our early substantive testing has not identified any issues we wish to bring to your attention.
Update to the Audit Plan

In our Audit Plan we included the identification of significant risks and our planned procedures to address those risks. One of these risks was Management Override of Control (extract from the Audit Plan below)

Following further review of this risk, under section “What will we do?” we will also include the following procedure:

► Review accounting policies with particular focus on changes made these or where policies are different to those suggested by the CIPFA Code.

As set out above, we have already undertaken work in this area at our interim visit, and this has not identified any issues and we will also review the accounting policies at year end.

Value for money

The Comptroller and Auditor General (C&AG) issued Auditor Guidance Note 3 (AGN 03) – Auditors’ work on VFM arrangements. We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness in the use of resources.

For 2017/18 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

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.

As part of our planning work, we identified one significant risk around working with partners and third parties, particularly with a focus on the Council’s dealings with Carillion both before and after their liquidation.

As our audit work progresses we keep monitoring the situation and will keep you informed how results may affect our value for money conclusion.
Other Issues of Interest

If members of the Audit and Governance Committee have any particular issues they want to discuss with us we would be pleased to do so.
2. **Timetable**

**Audit and Governance Committee Timeline**

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2017/18 Audit and Governance Committee cycle.

We will report to the Audit and Governance Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit and Governance Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from our work.

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<thead>
<tr>
<th>Audit phase</th>
<th>Timetable</th>
<th>Deliverables</th>
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<td>April 2017</td>
<td>Fee Letter provided to the Council</td>
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<td>Risk assessment and setting of scopes</td>
<td>November to March 2018</td>
<td>Audit Plan</td>
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<td>Early Substantive Testing</td>
<td>March 2018</td>
<td>Progress Report</td>
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<td>Update on work completed to date</td>
<td>April 2018</td>
<td>Progress Report</td>
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<td>Value for money conclusion</td>
<td>November 2017 to July 2018</td>
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<td>Year-end audit</td>
<td>June to July 2018</td>
<td>Report to those charged with governance</td>
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<td>Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).</td>
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<td>Audit completion certificate</td>
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<td>Whole of Government Accounts Certifications</td>
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<td>Reporting</td>
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### Appendix A  Audit Progress

#### Progress against key deliverables

<table>
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<th>Key deliverable</th>
<th>Timetable in plan</th>
<th>Status</th>
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<tbody>
<tr>
<td>Fee Letter</td>
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<td>Completed</td>
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<td>Audit Plan</td>
<td>March 2018</td>
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<td>Report to Those Charged with Governance</td>
<td>September 2018</td>
<td>Not due yet</td>
<td></td>
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<tr>
<td>Audit Report (including opinion and vfm conclusion)</td>
<td>September 2018</td>
<td>Not due yet</td>
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<tr>
<td>Audit Certificate</td>
<td>September 2018</td>
<td>Not due yet</td>
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<td>WGA Certificate</td>
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<tr>
<td>Annual Audit Letter</td>
<td>September 2018</td>
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