



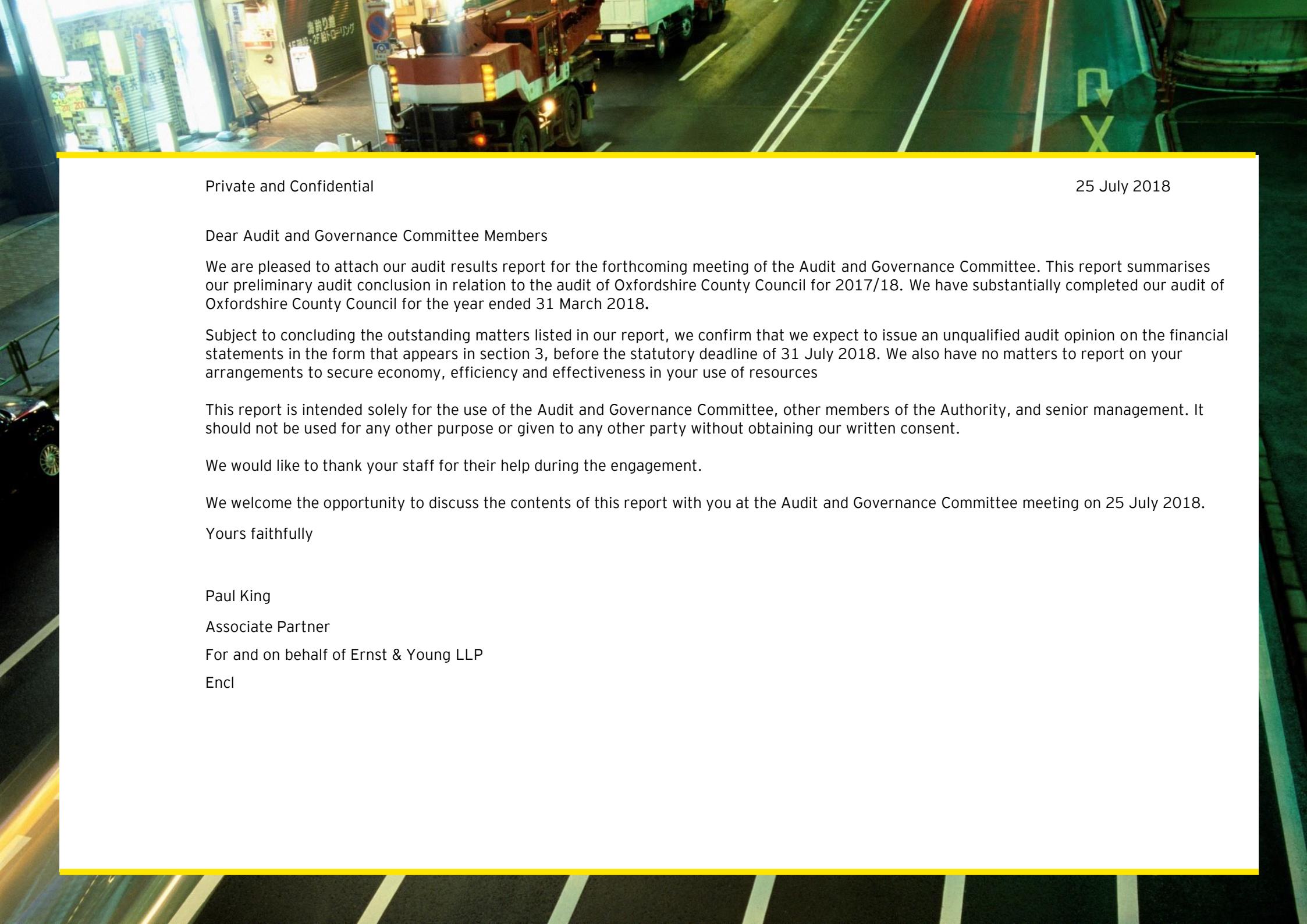
# Oxfordshire County Council Audit results report

Year ended 31 March 2018

16 July 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

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Private and Confidential

25 July 2018

Dear Audit and Governance Committee Members

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 the audit of Oxfordshire County Council for 2017/18. We have substantially completed our audit of Oxfordshire County Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 3, before the statutory deadline of 31 July 2018. 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 Authority, 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 welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 25 July 2018.

Yours faithfully

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



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 February 2017)" 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 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, and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 - Executive Summary

## Scope update

In our audit planning report presented at the 7 March 2018 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

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. Following further review of this risk we have also included the following procedure:

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

This change was communicated in our audit progress report presented at the 25 April 2018 Audit and Governance Committee.

In our audit planning report, we communicated that our audit procedures would be performed using a materiality of 2% of gross expenditure based on the 2016/17 statements, resulting in a materiality of £19.0m. We updated our planning materiality assessment using the draft financial statements for 2017/18 and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £19.3m. Our updated performance materiality, at 75% of overall materiality, is £14.5m, and the updated threshold for reporting uncorrected misstatements to you is £0.96m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

## Status of the audit

We have substantially completed our audit of Oxfordshire County Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding matters set out in appendix C we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

We are not in a position 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 the two objections that we have received from 2015/16 and 2016/17 respectively.

## Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. We ask that it is corrected or a rationale as to why it has not been corrected approved by the Audit and Governance Committee and included in the Letter of Representation. We agree with management's assessment that the impact is not material.

We have also identified audit differences which have been adjusted, details can be found in Section 4 Audit Differences.



# 01 - Executive Summary

## Areas of audit focus

Our Audit Planning Report 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.

## Control observations

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.

## 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 Planning Report we identified the following significant risk:

- ▶ Working with partners and other third parties - Carillion

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



# 01 - Executive Summary

## Objections and matters raised by members of the public

There have been no objections raised in 2017/18.

We have also been considering the objections raised in prior years:

An objection was made in 2016/17 to the Pension Fund accounts on the grounds that, in the view of the elector, the Pension Fund Committee has failed to actively manage the risk posed by the Fund's investment in fossil fuels. We have made initial enquiries of the Council, and have followed up on a number of their responses. We are currently considering additional responses from the Council. It is our view that even if the objection was subsequently resolved in the objector's favour, this would not affect the Statement of Accounts.

An objection was made in 2015/16 to the 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 prepared a statement of reasons supporting our determination of the objection and this is currently subject to consultation ahead of being issued.

We cannot formally conclude the audit and issue an audit certificate for 2015/16, 2016/17 or 2017/18 until we have completed the work necessary to conclude these two matters.

During 2017/18, a matter was raised from a member of the public with regards to the Council's charging for DIY waste and whether this is in line with appropriate laws and regulations. We have made initial enquiries of the Council and provided an initial response to the member of the public. The member of the public has raised further points which we are considering and will discuss with the Council.

We will update the Audit and Governance Committee on all of these matters at the next meeting on 25/07/2018.

## Other reporting issues

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

We are currently completing the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will report any issues to you at the Audit and Governance Committee on 25 July 2018.

We have no other matters to report.

## Independence

Please refer to Section 9 for our update on Independence.



## 02 - Areas of Audit Focus

### Significant risk

#### Management Override of Control

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and 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.

##### What judgements are we focused on?

We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. We have concluded that the judgements we are focused on are items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes.

Our work on the risk of management override therefore focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able to manipulate accounting records

##### What did we do?

We addressed the residual risk of management override through the following procedures:

- 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 (as noted above relating to revenue and expenditure recognition);
- We considered the completeness of the minimum revenue provision (MRP) Charge;
- We evaluated the business rationale for any significant unusual transactions; and
- We reviewed accounting policies with particular focus on changes made or where policies are different to those suggested by the CIPFA Code.

##### 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.



## 02 - Areas of Audit Focus

### Other areas of audit focus

In our Audit Planning Report, we identified other areas of the audit, that were not classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do?
<p><u>Valuation of Land and Buildings</u> The fair value of Property, Plant and Equipment (PPE), including land and buildings, represents significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our approach has focused on:</p> <ul style="list-style-type: none"><li>▶ Consideration of the work performed by the Council's valuer, including the adequacy of the scope of the work performed, professional capabilities and the results of their work. This includes the use of our EY estates specialists who undertook a review of assumptions used by the valuers;</li><li>▶ Review and sample testing over the key asset information used by the Council's valuer in performing their valuation;</li><li>▶ 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;</li><li>▶ Review of the desktop review and valuations performed by the Council's valuer over assets not subject to formal valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;</li><li>▶ Tested that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.</li><li>▶ Consideration of the Council's revaluation of the Oxfordshire Museum in 2017/18.</li></ul> <p>As a result of the testing above we did not identify any material issues in the valuations based on our work performed.</p>





## Areas of Audit Focus

### Other areas of audit focus

In our Audit Planning Report, we identified other areas of the audit, that were not classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do?
<p><u>Pension Liability Valuation</u>            The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.            The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £980.3 million.            The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. 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.</p>	<p>Our approach has focused on:</p> <ul style="list-style-type: none"> <li>▶ Liaising with the audit engagement team of the Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxford City Council;</li> <li>▶ Assessing the conclusions drawn on the work and assumptions used by Hymans Robertson LLP (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments Ltd for all Local Government sector auditors (PwC); and</li> <li>▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul> <p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. However, we have identified a difference between the estimated closing assets allocated to the Council used by the Council's actuary of £1,175m and the actual investment return for 2017/18 of £1,183m. The Council's share of this difference is £7.7m.</p> <p>While not material, this is above our uncorrected misstatement threshold, and as such has been reported as an unadjusted misstatement in this report.</p>
<p><u>Accounting for Service Concessions</u>            As part of our audit in 2016/17 we commissioned a detailed review and testing of the accounting models and related disclosures in the financial statements for Service Concessions by an EY expert. There was a difference of opinion in the application of the accounting treatment between the Council and our expert.</p> <p>This resulted in an unadjusted audit difference of £936k in 2016/17.</p>	<p>We engaged with management and our EY expert about the treatment of service concessions. We have reached an agreed position as a result of this engagement.            We have reviewed the accounting entries and disclosures arising from this agreement in the 2017/18 accounts, with a focus on any significant changes since 2016/17.</p> <p>As a result of the testing above we did not identify any material issues in our work performed on service concessions.</p>



## 02 - Areas of Audit Focus

### Other area of audit focus

In our Audit Planning Report, we identified other areas of the audit, that were not classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial 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 accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

#### What did we do?

We

- ▶ Engaged early with the Council to facilitate early substantive testing where appropriate and lessen pressure at year-end;
- ▶ Discussed with the Council consideration of streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- ▶ Facilitated faster close workshops providing an interactive forum for Local Authority accountants and auditors to share good practice and ideas for a successful faster closure of accounts;
- ▶ Worked with the Council to implement EY Client Portal. This:
  - ▶ Streamlined our audit requests through reducing emails and improving communication;
  - ▶ Provided on-demand visibility into the status of audit requests and the overall audit status;
  - ▶ Reduced risk of duplicate requests; and
  - ▶ Provided better security for sensitive data.
- ▶ Agreed the team and timing of each element of our work with you; and
- ▶ Agreed the supporting working papers needed to complete the audit.



## 03 - Audit Report

# Draft audit report

Final version of Audit Report to be included within the financial statements taken to the Audit and Governance Committee on 25 July 2018.

### Our opinion on the financial statements

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

##### Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

Movement in Reserves Statement,  
Comprehensive Income and Expenditure Statement,  
Balance Sheet,  
Cash Flow Statement,  
Notes 1 to 60 and the Expenditure and Funding Analysis,  
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 2017/18.

In our opinion the financial statements:  
give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2018 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 2017/18.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## 03 - Audit Report

# Draft audit report

Final version of Audit Report to be included within the financial statements taken to the Audit and Governance Committee on 25 July 2018.

### Our opinion on the financial statements

#### Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

#### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2018.

#### 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



## 03 - Audit Report

# Draft audit report

Final version of Audit Report to be included within the financial statements taken to the Audit and Governance Committee on 25 July 2018.

### Our opinion on the financial statements

#### Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 33, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority 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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### 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 2017, 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 Comptroller and Auditor General 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 2018.

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.



## 03 - Audit Report

# Draft audit report

Final version of Audit Report to be included within the financial statements taken to the Audit and Governance Committee on 25 July 2018.

### Our opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to conclude the objection to the Council's 2015/16 Statement of Accounts concerning the use of Lender Option Borrower Option (LOBO) loans.

We also need to conclude our work on the objection to the Council's 2016/17 Pension Fund accounts concerning the management of risk posed by the Fund's investment in fossil fuels.

It is our view that even if these objection were resolved in the objector's favour, they would not affect the Statement of Accounts.

### Use of our report

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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul King (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
25 July 2018

The maintenance and integrity of the Oxfordshire County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## 04 - Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the 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

In line with our audit planning report, we will disclose any differences greater than £14.5m which have been corrected by management that were identified during the course of our audit.

While our audit identified a number of audit differences which our team have highlighted to management for amendment, these are all below our reporting threshold and all have been corrected during the audit except for:

- ▶ A classification error within Note 22 - Movement in the value of Property, Plant and Equipment - Assets Under Construction was identified:  
Per the draft statement of accounts: 'Additions' should have been increased by £18.6m and 'Derecognition - other' should increase by £18.6m.  
The net impact of this adjustment on the core financial statements is nil.

### Summary of unadjusted differences

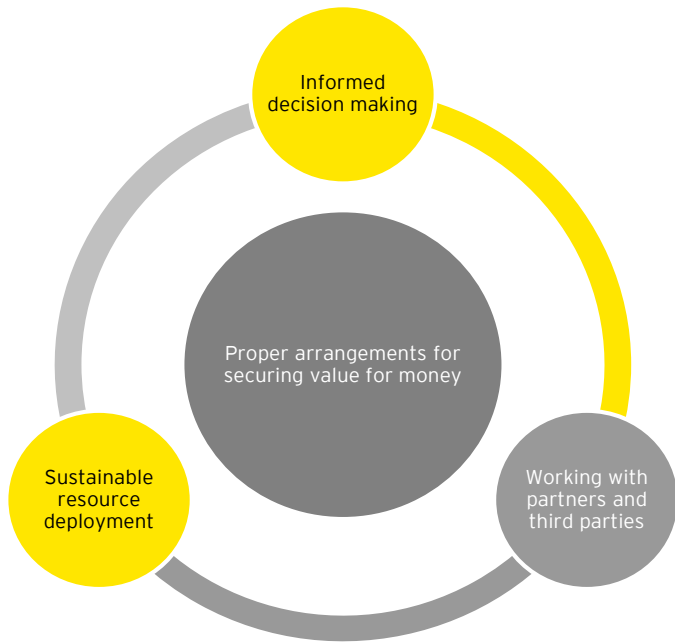
In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit and Governance Committee and provided within the Letter of Representation:

- ▶ Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. However, we have identified a difference between the estimated closing assets allocated to the Council used by the Council's actuary of £1,175m and the actual investment return for 2017/18 of £1,183m. The Council's share of this difference is £7.7m.

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2018.



# 05 - Value for Money



## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We identified one significant risk to these arrangements. The tables below present our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention.

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





# 05 - Value for Money

## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

*“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

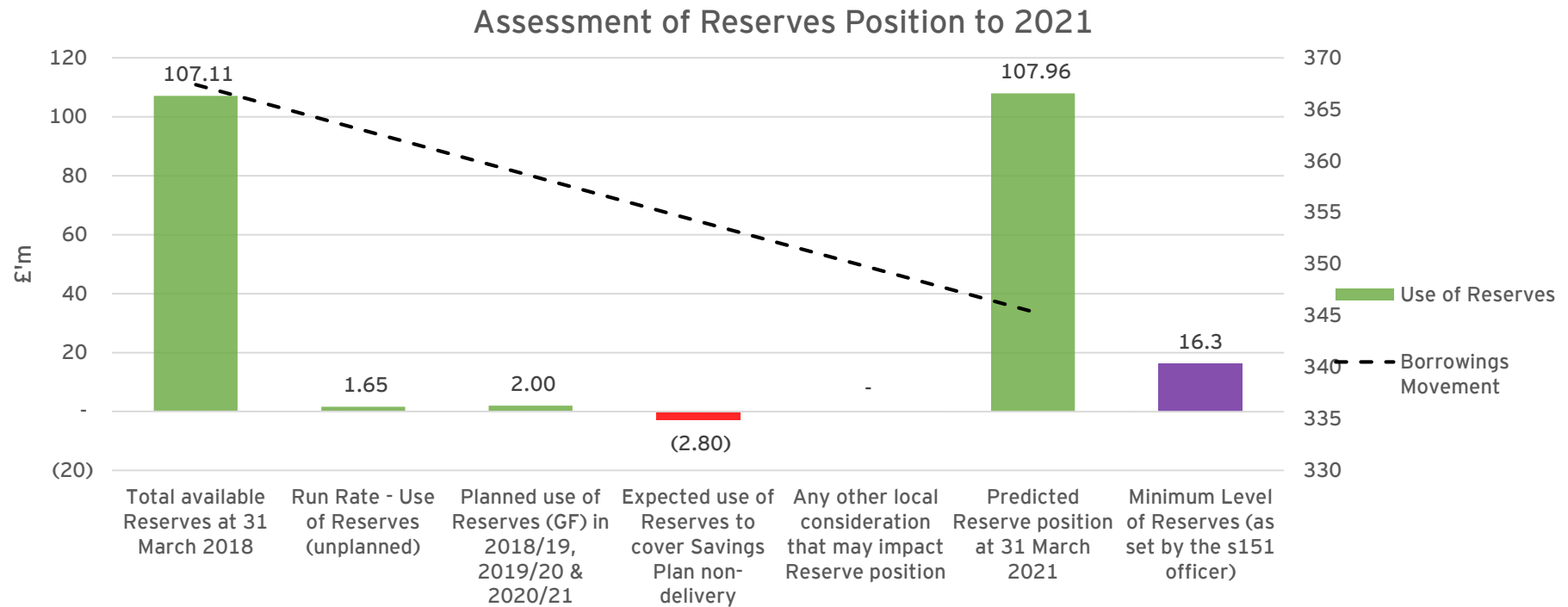
What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>In 2012, Oxfordshire County Council entered into a contract with Carillion LGS Ltd to provide building works, property services, maintenance of council buildings, school meals and cleaning. In December 2017, the Council reached an agreement with Carillion to terminate this contract early and to cease receiving all services except for maintenance, school meals and cleaning. The ending of this contract was set for June 2018.</p> <p>In January 2018, it was announced that Carillion were being put into liquidation. As a result the original agreement to end the contract was accelerated to February 2018. In addition all services have now been brought in house, including those that were planned to remain with Carillion.</p> <p>There are several areas of the Council’s arrangements to consider:</p> <ul style="list-style-type: none"> <li>• The agreement made in December between Carillion and the Council.</li> <li>• The provision of services in the transitional period between bringing services from Carillion to the Council.</li> <li>• The arrangements for determination of residual issues following Carillion being put into liquidation.</li> </ul>	<p>Working with partners and other third parties</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Reviewed the agreement made in December 2017 between the Council and Carillion.</li> <li>▶ Assessed the Council’s arrangements to provide for the transition of services from Carillion to ensure continuity of service provision.</li> <li>▶ Reviewed the work performed by the Council to reach a ‘steady state’ of service provision in these new areas.</li> <li>▶ Reviewed of the agreements in place and the arrangements between the Council and Carillion (or the liquidator) for areas which were still with Carillion at the time of their liquidation, such as building defects resolution.</li> </ul> <p>As a result of the procedures performed, we have been able to gain assurances that the Council had proper arrangements in place to work with partners and other third parties.</p>



# 05 - Value for Money

## Other matters to bring to your attention

Financial Position and Medium Term Financial Plan Assessment



While not identified as a significant value for money risk for 2017/18, the financial position of Local Authorities and their future plans is in focus. We have undertaken an assessment of the Council's medium term financial plan to ensure planned savings are achievable and the usable reserves position is appropriate. The diagram above confirms that the Council are in a position to achieve their medium term financial plans.

## 06 - 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 2017/18 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 2017/18 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 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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").  
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 Authority, 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.

## 06 - Other reporting issues

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# Other reporting 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 Authority'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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

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



## 07 - 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 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.

### Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to April 2018 to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



## 08 - Use of Data Analytics in the Audit

### ► Data analytics

#### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

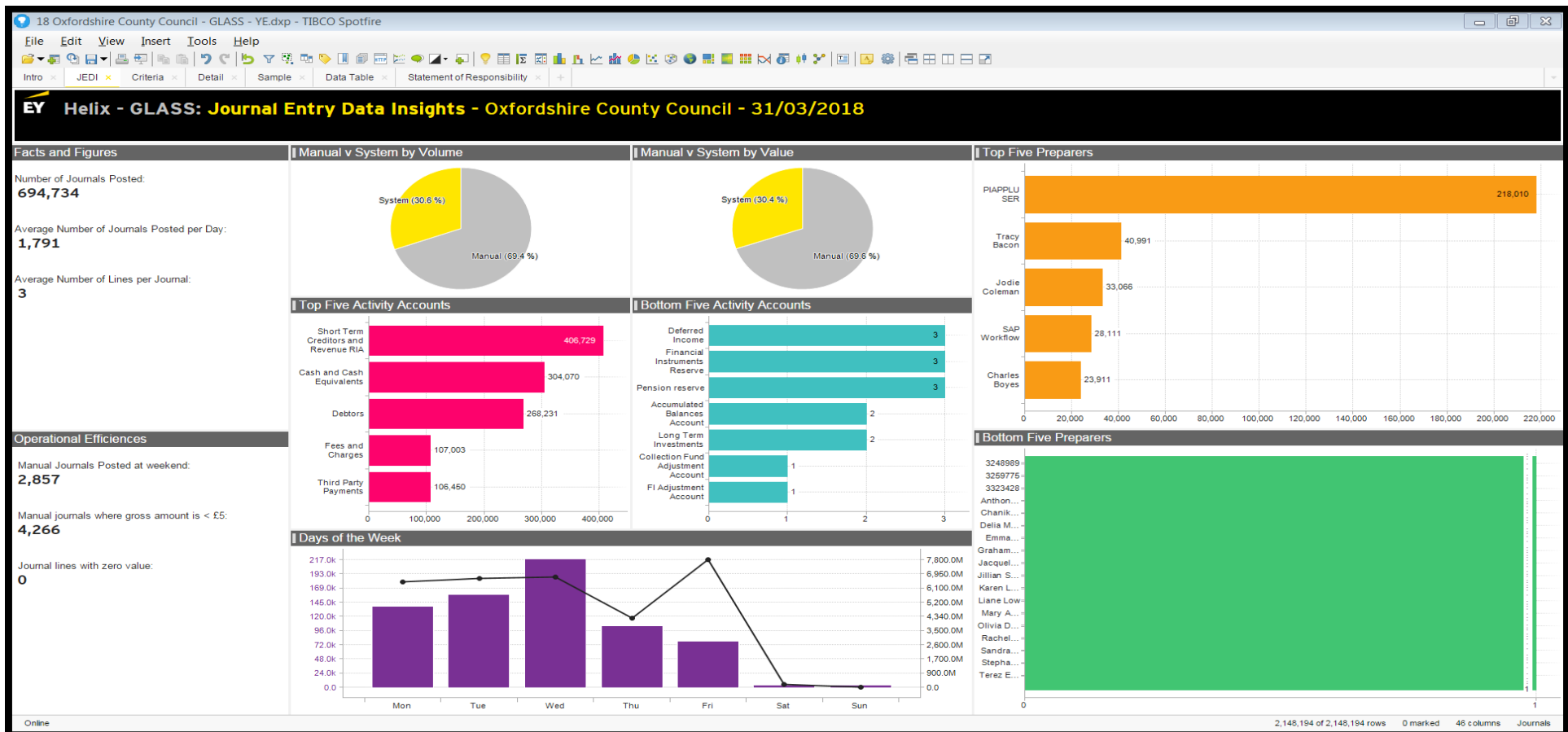


# 08 - Data Analytics

## Journal Entry Data Insights

The graphic outlined below summarises the Council's journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





# 08 - Data Analytics

## Journal Entry Testing

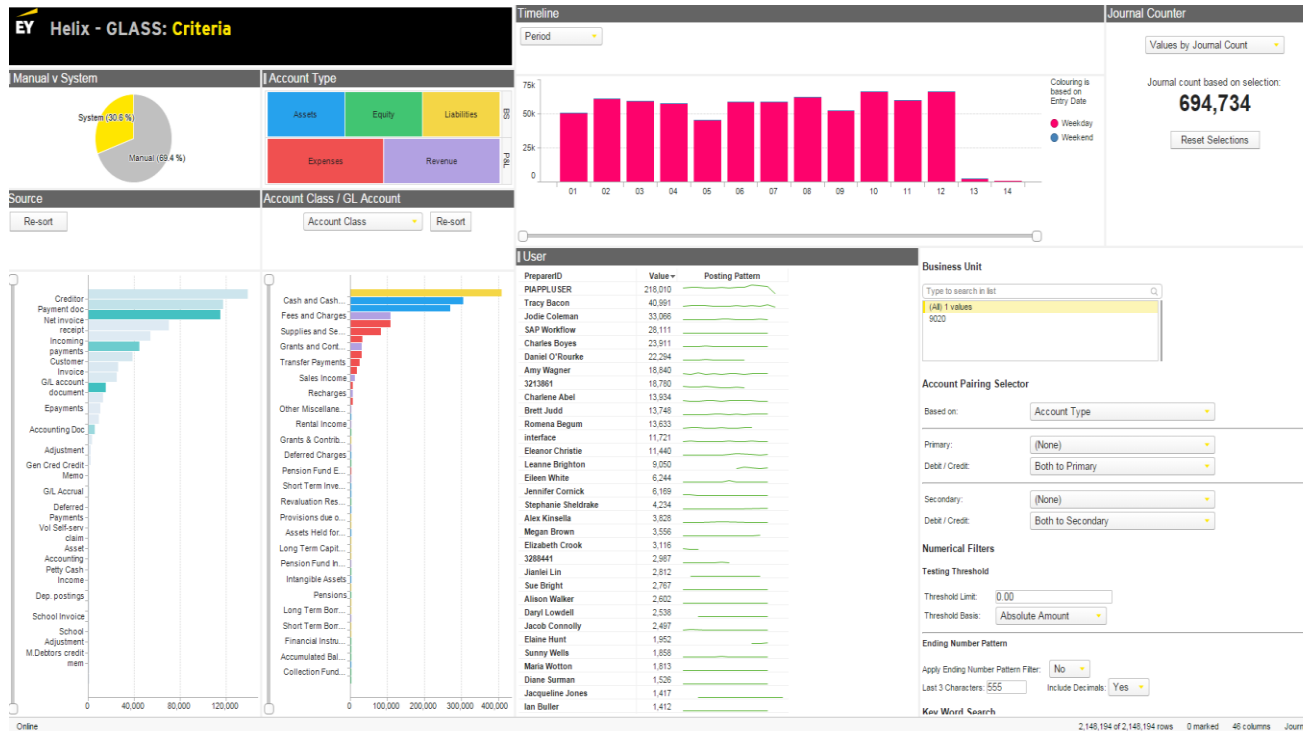
### What is the risk?

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

Journal entry data criteria – Oxfordshire County Council 2017/18

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

### 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.





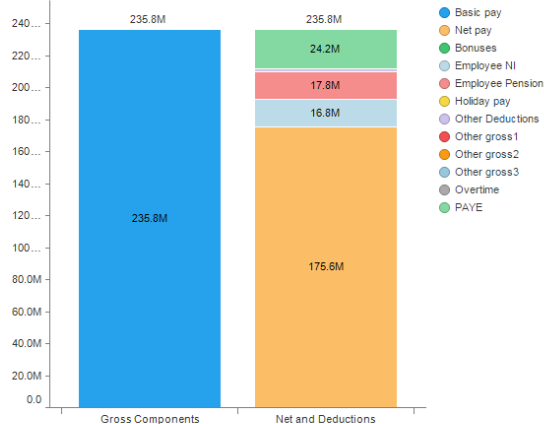
# 08 - Data Analytics

## Payroll Analyser Insights

The graphic outlined below summarises the Council's payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.

### EY Helix - Payroll Analyser: 1. Payroll Overview

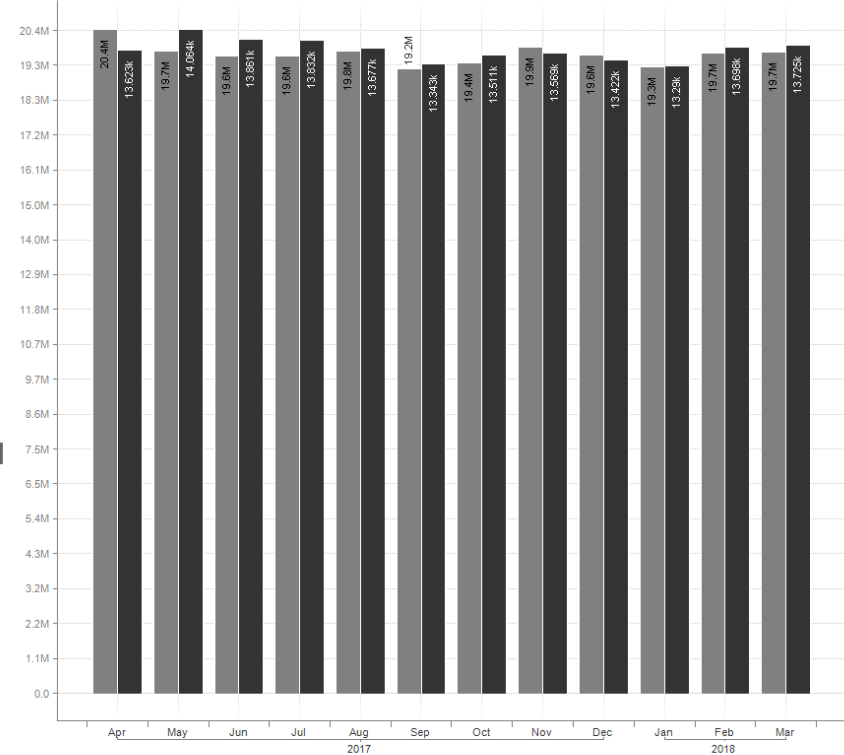
#### 1.1 Payroll Summary



#### 1.2 Transaction Summary

Column	Value	% of Gross
Basic Pay	235.8M	100.0 %
Overtime	(Empty)	(Empty)
Holiday pay	(Empty)	(Empty)
Bonuses	(Empty)	(Empty)
Other gross1	(Empty)	(Empty)
Other gross2	(Empty)	(Empty)
Other gross3	(Empty)	(Empty)
Gross Pay	235.8M	100.0 %
Net Pay	175.6M	74.5 %
PAYE	24.2M	10.3 %
Employee NI	16.8M	7.1 %
Employee Pension	17.8M	7.6 %
Other	1.3M	0.6 %

#### 1.4 Monthly Trending Analysis of Gross Pay and Employee Count



#### 1.3 Data Insights

	Gross	#/%
Staff Turnover		23.48 %
Employees not in Master File	16.9k	1
Employees not in Transactions	0.0	12004
Payments after Leave Date	2.1M	2.454k
Payments before Join Date	23.8k	46
Largest Gross Payment	74.9k	
Average Gross Payment	1.4k	
Smallest Gross Payment	-11.2k	
Employee(s) under minimum wage		N/A
Highest Paid Employee : Median Employee		57.29

#### 1.5 Employee Movement



Online

6 of 6 rows 0 marked 5 columns Employee Flow



## 09 - Independence

### Confirmation, Relationships, services and related threats and safeguards



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 7 March 2018.

We complied with the FRC 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 and the Audit and Governance Committee 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 25 July 2018.

#### **Services provided by Ernst & Young**

The table below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services provided have been on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## 09 - Independence

### Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken other non-audit work that has not been detailed below.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
<b>Total Audit Fee - Code work</b>	TBC	109,958	109,958	109,958*
<b>Certifications - Teachers Pensions</b>	TBC	£12,000	N/a	£12,000
<b>Total Fees</b>	<b>TBC</b>	<b>£121,958</b>	<b>£109,958</b>	<b>£121,958</b>

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts.

\* *The 2016/17 final fee is 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*

For Oxfordshire County Council our indicative fee was set at the scale fee level. This indicative fee was based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority;
- ▶ There is an effective control environment; and
- ▶ Prompt responses are provided to our draft reports.

We are discussing additional fees with officers in relation to:

- ▶ The involvement of EY experts in revisiting the valuation of the Museum and the accounting treatment for Service Concessions
- ▶ Additional procedures being performed to gain assurances over the significant value for money risk
- ▶ Issues in obtaining appropriate analytics information for the general ledger, where the Council provided incomplete information. This resulted in the tool needing to be re-run. All additional fees are also subject to review and determination by PSAA.
- ▶ Consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

## 10 - Appendix A

# Audit approach update

We summarise below our approach to the audit of the balance sheet.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Tangible fixed assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Cash	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

## 10 - Appendix B

# Summary of communications




Date 	Nature 	Summary 
February 2018	Report	The Audit Planning Report, including confirmation of independence, was issued to the Audit and Governance Committee.
7 March 2018	Meeting	Partner in charge of the engagement met with the Audit and Governance Committee and senior members of the management team to discuss the Audit Planning Report.
3 May 2018	Meeting	The partner and senior manager for the engagement met with management to discuss the timings of the audit and the key matters impacting the Council
16 July 2018	Meeting	Audit close meeting with the management team to discuss the preliminary findings of the audit.
16 July 2018	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit and Governance Committee.
26 July 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit and Governance Committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.





## 10 - Appendix C

# Required communications with the Audit Committee




There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	March 2018 Audit Planning Report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	March 2018 Audit Planning Report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	July 2018 Audit results report

## 10 - Appendix C




		 Our Reporting to you
<b>Required communications</b>	 What is reported?	  When and where
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>▶ Material misstatements corrected by management</li> </ul>	July 2018 Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Request for Audit and Governance Committee to approve the letter of representation from management at the Audit and Governance Committee meeting on 25 July 2018.
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.</li> </ul>	July 2018 Audit results report

## 10 - Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <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 regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>July 2018 Audit results report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>March 2018 Audit Planning Report</p> <p>July 2018 Audit results report</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>We have received all requested confirmations.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>July 2018 Audit results report</p>






## 10 - Appendix C

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
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>	July 2018 Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	July 2018 Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	July 2018 Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	July 2018 Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	March 2018 Audit Planning Report  July 2018 Audit results report

## 10 - Appendix D

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Statement of Accounts	Receipt and review of the final version of the financial statements	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit and Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Whole of Government Accounts	Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission	EY and management
Receipt of bank confirmation from Lloyds	Both EY and the Council are chasing confirmation from Lloyds for bank balances held at 31 March 2018	EY and management
Response from PPE valuer to our letter of enquiries	Receipt of letter from the Council's PPE valuer	Management
Trade Payables	Additional information required on a number of sample items provided.	EY and management
Unrecorded Liabilities	Completion of cut-off testing for Cash, Debtors and Creditors	EY and management
Grants Received in Advance	Additional information required on a number of sample items provided.	EY and management

## 10 - Appendix E

# Management representation letter

Final version of Management Representation Letter to be updated and signed at the Audit and Governance Committee on 25 July 2018 once all audit work has been completed.

### Management Rep Letter

25 July 2018  
Paul King  
Ernst & Young  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

Dear Paul

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 2018. 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 financial position of Oxfordshire County Council as of 31 March 2018 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 2017/18.

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:

#### 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 2017/18.

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 2017/18. 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 2017/18, that are free from material misstatement, whether due to fraud or error.

5 - 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]

## 10 - Appendix E

# Management representation letter

Final version of Management Representation Letter to be updated and signed at the Audit and Governance Committee on 25 July 2018 once all audit work has been completed.

### Management Rep Letter

#### **B. Non-compliance with law and regulations, including fraud**

1 - We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2 - We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3 - 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.

4 - We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### **C. 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: 17 July 2018.

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 [period] 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.

## 10 - Appendix E

# Management representation letter

Final version of Management Representation Letter to be updated and signed at the Audit and Governance Committee on 25 July 2018 once all audit work has been completed.

### Management Rep Letter

#### **D. 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.

#### **E. 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.

#### **F. Reserves**

- 1 - We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

#### **G. Contingent Liabilities**

- 1 - We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

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

- 1 - We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS 19 actuarial valuations of pension fund liabilities 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.

#### **I. PPE Valuations and Pensions Liability Estimates**

- 1 - We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 2 - We confirm that the significant assumptions used in making the estimates for PPE Valuations and Pensions Liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
- 3 - We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 4 - We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

## 10 - Appendix E

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### Management Rep Letter

#### **J. 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.

Yours faithfully,

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

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

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