



Oxford City Council
Year ending 31 March 2013
Audit Progress Report
April 2013

Audit & Governance Committee
Oxford City Council
Town Hall Offices
St Aldates
Oxford
OX1 1BX

10 April 2013

Dear Councillors

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

This Progress Report summarises the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit and Governance Committee with an overview of the stage we have reached in your 2012/13 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We have issued our Audit Plan to the February Audit and Governance Committee. We have completed our walk throughs and have continued to update our risk assessment. There are no new issues that we are required to communicate to you as a result of this work.

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

Yours faithfully

Maria Grindley
Director
For and behalf of Ernst & Young LLP
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1. Work completed

Meetings

We have timetabled a number of regular meetings with key officers as part of our ongoing audit process including:

- Fortnightly meetings with key finance staff to discuss significant risks around the accounts, and updates on our work;
- Quarterly meetings with the Director of Organisation Development and Corporate Services and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit.

Walk throughs and tests of control

We completed our walk throughs and have reviewed the work of internal audit where completed and appropriate. We are pleased to report that the completion and review of control accounts is improving (Appendix 1). We are now selecting controls that we will test in order to place reliance on them. To date our work has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money assessment

We have completed our initial risk assessment for our value for money work in line with the Audit Commission's specified criteria and areas of focus. We reported risks in our audit plan which came to the February Audit Committee and there are no further issues or risks from our ongoing review to raise at this stage.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in June and your NNDR claim in August.

IT work

We seek to place reliance on IT systems where possible and appropriate. To do this our computer audit team are currently testing IT controls. If we can place reliance on these then this will reduce the amount of testing we will need to do.

Questions from a member of the public

We have received questions from a member of the public on the cost of the swimming pool at Blackbird Leys. These were shared with the Council and a response was received from the Council which was reviewed and found to address the questions asked of us. We have replied to the member of the public providing them with a response to the questions asked. This additional fee to the Council for the work required to complete the review is £2,187.

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 whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit and Governance Committee cycle.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	December	Fee Letter
Risk assessment and setting of scopes	December/ January	
Testing of routine processes and controls	February/April	Audit Plan Progress Report (if required)
Value for money conclusion	February/April	
Year-end audit	July – September	Report to those charged with governance Audit report (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). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Management Letter
Grant claims	December	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Planning discussions

We will continue to update our planning throughout the course of our audit process.

Group audit instructions to functional body auditors

Once we have concluded the initial planning discussions with the group auditors of Barton LLP, we will issue Group Audit Instructions to ensure the efficient co-ordination of the audit across the group. We plan to issue these following a review of the current year financial transactions for Barton LLP.

Appendix 1: Summary of controls testing to March 2013

System	Test number	What could go wrongs	Results of controls testing March 2013	Controls to test at year end
Cash and Bank	1	Payments and receipts per the bank statement are not matched against debtor or creditor balance	All controls working effectively All controls working effectively	
	2	Fictitious/duplicate cash disbursements are made		Review year end bank reconciliations
	3	Payments and receipts per the bank statement are not properly recorded in ledger	All controls working effectively	
Payroll	4	Fictitious employees added to the payroll	All controls working effectively	
	5	Payroll system incorrectly posts to general ledger	Control working effectively	
	6	Incorrect pay rates are used in computing gross pay	Control working effectively	
	7	Payroll expenses including deductions are incorrectly computed	Control working effectively	
	8	Payroll expenses are recorded in a different period to when they were incurred and paid	Control working effectively	
Pensions	9	Financial statement disclosures not prepared correctly		Trial Balance and financial statements are reviewed by finance team.
	10	Incorrect information provided to actuary (matters of significance not communicated)		Review of actuaries report by finance team to ensure base data and circumstances been correctly reflected

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	11	Contributions not passed accurately to administering body	Control working effectively	
	12	Information inaccurately prepared by the actuary		Confirm the use of a qualified and suitably experienced actuary
	13	Contributions calculated incorrectly	In progress	
	14	Journals not prepared correctly		Confirm that year end journals have been properly prepared reviewed and approved
Housing Rents	15	Housing Benefit not posted to rent accounts overstating debtor	All controls working effectively	
	16	Income not posted to individual rent accounts, overstating debtor	All controls working effectively	
	17	Rent level calculated incorrectly	Control working effectively	
	18	Rent due not posted fully and accurately to the General Ledger	Control working effectively	
Accounts Receivable	19	Invoice raised for incorrect amount/incorrect income code or for an event that did not occur	Tested by Internal Audit and one fail identified. Transaction had been raised and authorised by the same person	Test segregation of duties
	20	Income raised not posted to the general ledger	Control working effectively	
Council Tax	21	Amounts not recorded or inaccurately recorded in general ledger	Control working effectively	

Appendix 1: Summary of controls testing to March 2013

	22	Incorrect debit raised for amounts due	All controls working effectively	
Procure to Pay	23	Purchase sub ledgers not reconciled to general ledger	All controls working effectively	
	24	Invalid or incorrect purchase price or other adjustment	Tested by Internal Audit and errors identified over authorisation of invoices. We are assessing impact.	
	25	Cut-off procedures have not properly been performed		Test that cut off is managed via unmatched goods received from system
	26	Purchases recorded twice or fictitious	Control working effectively	
	27	Confirmations of receipt not generated for all goods received or service not received	Tested by Internal Audit and errors identified over authorisation of invoices. We are assessing impact.	
Property Plant and Equipment	28	Assets are valued incorrectly, including fair value declines not being identified		Test that the asset register is updated for valuations and that the register is reconciled to the General Ledger
	29	The fixed asset register does not reconcile to the general ledger.		Check that the register is reconciled to the General Ledger
	30	Assets bought or acquired are not recorded in the accounts	Control working effectively	
	31	Impairment charge is not split correctly between revaluation		Test calculations splitting

		reserve and revenue account		impairment between revenue and reserves is carried out at year end and reviewed by an independent officer
Housing Benefits	32	Benefits due are not paid		Test year end bank reconciliation and confirm Academy payments reconciled to the General Ledger
	33	Benefits due not accurately/completely processed into ledger as expenditure or into other receiving systems as income.		Confirm Academy system payments are reconciled to the General Ledger
	34	Software not updated according to provider's instructions		Test that software has been updated according to provider's instructions.
	35	Incorrect rate of benefit paid	Control working effectively	
	36	Inaccurate year-end subsidy debtor/creditor with central government		Test reconciliation of year end subsidy claim and software updated according to provider's instructions
Business Rates	37	Amounts not recorded or inaccurately recorded in general ledger	Control working effectively	

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	38	Incorrect debit raised for amounts due	Control working effectively
Car Parking	39	Cash receipts not banked or inaccurately banked	Control working effectively
	40	Missing or incorrect cash receipts for car parking audit tickets	Control working effectively
	41	Cash receipts not recorded or inaccurately recorded in the General Ledger	Control working effectively

Appendix 2: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	January 2013	Completed	Reported to TCWG February 2013
Audit Plan	January / February 2013	Completed	Reported to TCWG February 2013
Report to Those Charged with Governance	September 2013	not due	
Audit Report (including opinion and vfm conclusion)	September 2013	not due	
Audit Certificate	September 2013	not due	
WGA Certificate	October 2013	not due	
Management Letter	October 2013	not due	
Report on the Audit of Grant Claims	December 2013	not due	

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