

Oxford City Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP





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The Members
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14 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate to the Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of Oxford City Council.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 15 September 2015 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for Oxford City Council.

We would like to take this opportunity to thank Oxford City Council's staff for their assistance during the course of our work.

Yours faithfully

Mick West
Director
For and on behalf of Ernst & Young LLP
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in April 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Oxford City Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publically on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements and on the consistency of other information published with them
- ▶ reviewing and reporting by exception on the Authority's Annual Governance Statement
- ▶ forming a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of Oxford City Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 15 September 2015 we issued an unqualified audit opinion.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 15 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 15 September 2015.
Consider the completeness of disclosures on the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act	No issues to report.

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.

Our audit results report was issued on 15 September 2015 to the Audit & Governance Committee

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Issued on 15 September 2015.

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work we have undertaken.

This will be issued on completion of the 2014/15 certification work.

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 15 September 2015.

Our detailed findings were reported to the 15 September 2015 Audit & Governance Committee

The main issues identified as part of our audit were:

Significant risk 1: Management Override

To address the risk

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

No issues identified.

- ▶ We reviewed accounting estimates for evidence of management bias.

No issues identified.

- ▶ We evaluated the business rationale for any significant unusual transactions. We specifically reviewed the classification of the lease for the Westgate redevelopment. The Council classified the lease as operational. The lease is for 250 years from 2015. We queried if this classification was appropriate given the length of time of the lease and if the risks and rewards were with the developer and not the Council. Given the importance and impact of the classification to the financial statements we sought advice from our technical support team. Our review of the Westgate lease classification challenged the Council's initial classification of the land element of the Westgate Redevelopment as an operating lease.

Following discussions with the Council it was agreed that the land element of the lease would be amended from an operating lease to a finance lease.

Other risk 1: Accounting for Westgate Re-development

To address the risk:

- ▶ We reviewed the Council's approach to accounting for the Westgate re-development;
 - ▶ We tested a sample of the assets and leases affected to ensure that these have been correctly accounted for;
 - ▶ We reviewed contracts to ensure that the accounting is supported by legally binding contracts; and
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- ▶ We challenged the classification of the lease to the developer.

Following discussions with the Council it was agreed the land element of the lease would be amended from an operating lease to a finance lease.

No other issues were noted from our review of the Westgate Re-development

Other risk 2: Accounting for Internal re-charges

- ▶ We reviewed the approach to accounting for internal recharges in the Income and Expenditure Account; and
- ▶ We reconciled the Budget Book back to the gross expenditure and gross income in the Income and Expenditure Account and sought explanations for any differences.

No issues were noted from this review

Other risk 3: Accounting for Revaluations and Impairments

- ▶ We reviewed the approach to accounting for fixed asset revaluations and impairments.

No issues were noted from this review

2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether Oxford City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Oxford City Council had proper arrangements in place for:

- ▶ securing financial resilience; and,
- ▶ challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 15 September 2015.

Our audit did not identify any significant matters.

2.3 Whole of Government Accounts

The NAO reporting instructions were amended this year and we were only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in Oxford City Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the Public

2.6 Other powers and duties

We identified no issues during our audit that required using powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Audit and Governance Committee on 15 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

2.8 Certification of grant claims and returns

We will issue the Annual Certification report for 2014/15 in December 2015.

3. Control themes and observations

As part of our work, 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 identified during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements.

4. Fees

Our fee for 2014/15 has not yet been finalised. This is due to extra fee applying in respect of the additional work on the Westgate re-development and related accounting treatment. The final fee will be discussed and agreed with the Head of Financial Services and will need to be reviewed by the Public Sector Audit Appointments (PSAA) who are responsible for setting audit fees.

Our work on certification is in progress.

	Final fee 2014-15	Planned fee 2014-15	Scale fee 2014-15	Final fee 2013-14
Total Audit Fee – Code work	TBC	£114,900	£114,900	£114,000
Total Audit Fee –Certification of claims and returns	TBC	£34,100	£34,100	£39,900
Total Audit Fee	TBC	£149,900	£149,000	£153,900

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