

## Audit Progress Report

Oxford City Council

February 2019

Ernst & Young LLP



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working world

Members of the Audit and Governance Committee  
Oxford City Council  
Town Hall  
St Aldates  
Oxford  
OX1 1BX

27 February 2019

Dear Members,

## **Audit Progress Report 2018/19**

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit and Governance Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2018/19 audit and to ensure our audit is aligned with Committee expectations.

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

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

Yours faithfully

Paul King  
Associate Partner  
For and behalf of Ernst & Young LLP  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2018-19’. It is available from the Chief Executive of each audited body and 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 from 1 April 2018’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

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

## 1. Planned work

### Planning

We presented our draft 2018/19 Audit Plan to the Audit and Governance Committee meeting on 10 January 2019. This plan is kept under review and we will inform you of any changes to our risk assessments and planned work. There are no changes to report at this meeting.

### Financial Statements

We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2018/19 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. This includes meetings with staff from the Council to discuss issues arising from the 2017/18 audit and to examine ways to enhance the audit process for the 2018/19 financial statements, in particular to carry out early substantive testing as set out below.

#### Interim visit

##### Systems

We have identified the Council's material income and expenditure systems and are currently in the process of walking through these systems.

##### Early Substantive Testing

We scheduled an interim visit in March 2019 to carry out early substantive testing covering the first nine months of the year. Our main areas of focus are:

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

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

Our early substantive testing is ongoing but has not identified any issues we wish to bring to your attention.

## Value for money

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

For 2018/19 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.

Our work on the value for money conclusion is ongoing.

## Housing Benefit Subsidy Claim Certification – 2017/18

Since the last Audit and Governance Committee we have completed our work on the Council’s 2017/18 Housing Benefit Subsidy Claim. We have prepared a separate certification report which will be presented at this Committee which contains more details of the findings of our work.

## Other Issues of Interest

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

## 2. Timetable

### Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2018/19 Audit and Governance Committee cycle.

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

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

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit and Governance Committee timetable</b>	<b>Deliverables</b>
High level planning, risk assessment and setting of scopes	November 2018- January 2019	January 2019	Audit Plan
Testing routine processes and controls and early substantive testing	December 2018 – March 2019	March 2019	Audit Progress Report
Year-end audit	June – July 2019		
Completion of audit	July 2019	July 2019	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and our value for money conclusion). Reporting to the NAO on the Whole of Government Accounts return. Audit completion certificate
Conclusion of reporting	July- August 2019	October 2019	Annual Audit Letter

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