

Annual Audit Letter

Year end 31 March 2014

Oxford City Council

22 October 2014

Ernst & Young LLP



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22 October 2014

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Dear Members

Annual Audit Letter

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

We have already reported the detailed findings from our audit work to those charged with governance (the Audit and Governance Committee) of Oxford City Council in our 29 September 2014 Audit Results Report for 2013-14.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Oxford City Council for their assistance during the course of our work.

Yours faithfully

Mick West
Director
For and behalf of Ernst & Young LLP
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1. Executive summary

Our 2013-14 audit work has been undertaken in accordance with the Audit Plan we issued on 27 February 2014 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.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly 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 the 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
- ▶ Reviewing the Annual Governance Statement
- ▶ Forming a conclusion on the arrangements that 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

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Oxford City Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK and Ireland)	On 29 September 2014 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 29 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit and Governance Committee) communicating significant findings resulting from our audit.	On 29 September 2014 we issued our report in respect of the Authority.
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 2 October 2014.
Consider the completeness of disclosures in 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
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.	On 29 September 2014 we issued our audit completion certificate.
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims	On 27 February 2014 we issued our annual certification report to those charged with governance

and returns) work that we have undertaken.

with respect to the 2012-13 financial year.

2. Key findings

2.1 Financial statement audit

We audited the Authority'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. We issued an unqualified auditor's report on 29 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk: Management override

Our general audit work on journals, accounting estimates and significant unusual transactions identified no matters that we needed to bring to the Council's attention.

Other key findings:

Internal recharges – service expenditure and income in the Comprehensive Income and Expenditure Statement included Direct Services costs and recharges which grossed up the reported expenditure and income. Amendments were made to the 2013-14 Statement (£25mn) and the 2012-13 comparatives (£23mn) to eliminate the internal transactions.

- ▶ There was no impact on the net Cost of Services from these amendments.
 - ▶ The Council will improve its accounting arrangements to ensure such internal recharges are removed from future Statements
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HRA Dwellings impairments and revaluations – amendments were made to correct 2013-14 and prior year errors in the treatment of impairments and revaluations of HRA dwellings. The prior year adjustments transferred £7mn from the 1 April 2012 revaluation reserve to the capital adjustment account based on the best information available for earlier years. For 2013-14, the adjustments decreased the revaluation entries shown in the revaluation reserve by £42mn, decreased the net Cost of Services by £42mn and increased the capital adjustment account by £42mn.

The end result of the amendments had no impact on the Council's overall financial position as at 31 March 2014.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013-14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 29 September 2014. Our audit did not identify any significant matters.

2.3 Whole of Government Accounts

We reported to the National Audit Office on 2 October 2014 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. We did not identify any areas of concern.

2.4 Annual governance statement

We are required to consider the completeness of disclosures in 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. We completed this work and did not identify any areas of concern.

2.5 Certification of grants claims and returns

We presented our Annual Certification Report for 2012-13 to those charged with governance on 27 February 2014. We certified three claims and returns worth £157mn. We issued one qualification letter in relation to the housing and council tax benefit subsidy claim highlighting a number of areas where the Authority had not fully complied with the relevant grant conditions. We will issue the Annual Certification Report for 2013-14 in January 2014.

3. Control themes and observations

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 were required to communicate to those charged with governance (the Audit and Governance Committee) significant deficiencies in internal control.

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

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