

# Annual Audit Letter

South Oxfordshire District Council

24 October 2014



The Members  
South Oxfordshire District Council  
Benson Lane  
Crowmarsh Gifford  
Wallingford  
Oxfordshire  
OX10 8ED

15 October 2014

Dear Members,

## **Annual Audit Letter**

The purpose of this Annual Audit Letter is to communicate to the Members of South Oxfordshire District Council (the 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 Corporate Governance Committee) of the Council in our Audit Results Report dated 11 September 2014.

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

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

Yours faithfully

Mick West  
For and behalf of Ernst & Young LLP  
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## Executive summary

Our 2013-14 audit work has been undertaken in accordance with the Audit Plan we issued on the 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 Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council 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 Council 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 South Oxfordshire District Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 29 September 2014 we issued an unqualified audit opinion in respect of the Council.
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 Council (the Audit and Corporate Governance Committee) communicating significant findings resulting from our audit.	On 11 September 2014 we issued our report in respect of the Council.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 29 September 2014.
Consider the completeness of disclosures in the 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 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	On 29 September 2014 we

accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

issued our audit completion certificate.

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

On 28 January 2014 we issued our annual certification report to the Accounts, Audit and Risk Committee

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Key findings

## Key findings

### Financial statement audit

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. 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: Risk of management override

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This is a general risk we consider for the public sector bodies we audit. We obtained assurance that the risk of material misstatement due to fraud and error had been mitigated

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#### Other key findings:

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##### Implementation of new fixed asset register

Previously the asset register was maintained on an Excel Spreadsheet, rather than an IT based register. The Council has introduced such a fixed asset register in 2013-14 and this was to be used to produce entries in the financial statements.

We found that the data had been correctly transferred into the new register and that the entries produced for depreciation, additions and disposals were accurate and consistent with the Council's accounting policies.

Officers identified issues when the updated asset values were input into the new fixed asset register module, which resulted in the incorrect accounting entries being produced. A decision was taken to utilise the entries produced by the Excel based spreadsheet, which was updated alongside the new asset register.

From our detailed work we are satisfied that the entries disclosed in the financial statements are accurate and comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2013-14.

Management should ensure that the issues identified with the new fixed asset module are resolved in a timely manner to enable all entries to be produced by the module for the 2014-15 financial statements.

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##### NDR Appeals provision

The Business Rates Retention Scheme came into force on 1 April 2013. Where local businesses believe the current rateable value for business properties is wrong they can appeal. Where rating appeals are successful, monies to settle appeals will come out of the Council's collection fund reducing the rate income shared by the Council with the CLG and County Council. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the Valuation Office Agency (VOA), authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

We assessed the reasonableness of the Council's methodology in estimating the provision in respect of rateable value appeals at the balance sheet date.

This involved consideration of both the completeness and accuracy of the data on the number of appeals and the basis for the assumptions made by the Council on the likelihood of success.

We were satisfied that the Council applied reasonable estimation techniques in determining the amount of provision it included in its accounts.

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## 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
- ▶ 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. We have no issues we wish to bring to your attention.

## Whole of Government Accounts

We reported to the National Audit office on the 29 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.

## Annual Governance Statement

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

## Certification of grants claims and returns

We presented our Annual Certification Report for 2012-13 to the 28 January 2014 Audit and Corporate Governance Committee. We certified one claim and one return worth £75.4m. We issued qualification letters reporting errors in the claim and return. We will issue the Annual Certification Report for 2013-14 in December 2014.

## 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 Corporate Governance Committee) significant deficiencies in internal control.

We found no deficiencies during the audit that were of sufficient importance to merit being reported.

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