

# South Oxfordshire and Vale of White Horse District Councils

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP





## Contents

1. Executive summary.....	1
2. Responsibilities and purpose of our work .....	3
3. Financial statements audit.....	4
4. Value for money.....	7
Appendix A – Uncorrected audit differences – South Oxfordshire DC.....	9
Appendix B – Independence.....	10
Appendix C – Auditor fees .....	11
Appendix D – Draft audit report .....	13
Appendix E – Management representation letter.....	21
Appendix F – Required communication with the audit committee .....	31

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. 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 2015’ 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 Audit Results Report is prepared in the context of the Statement of Responsibilities. This report is intended solely for the use of the members 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. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Joint Audit and Governance Committee – on the work carried out to discharge our statutory audit responsibilities, together with any governance issues identified. This report summarises findings from the 2015/16 audit, which is substantially complete. It includes messages arising from our audit of the financial statements and the results of our work to assess arrangements to secure economy, efficiency and effectiveness in the Councils' use of resources.

We show below the results and our conclusions on the significant areas of the audit.

Status of the audit	<p>We have substantially completed our audit of the financial statements for the year ended 2015/16. Subject to satisfactory completion of the we will issue an audit opinion in accordance with Appendix D:</p> <ul style="list-style-type: none"> <li>• reviewing the final version of the financial statements</li> <li>• completing the subsequent events review</li> <li>• receipt of the signed management representation letter</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements.</p> <p>We expect to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) for the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified one unadjusted audit difference in the South Oxfordshire DC draft financial statements, which management have chosen not to adjust. We ask the Joint Audit and Governance Committee to consider approving management's rationale for this and include this in the Letter of Representation if they decide to approve it. Appendix A to this report sets out the uncorrected misstatement. Aggregated unadjusted audit differences of £123k if made would have no impact on useable reserves.</p> <p>Our audit also identified several audit differences which our team have highlighted to management for amendment. These have been corrected during the audit.</p> <p>For South Oxfordshire DC there was one reclassification error in the Comprehensive Income and Expenditure Statement totalling £145k. This amount had been incorrectly recognised in Other investment income (long lease) line and should have been in Income and expenditure in relation to investment properties (income). This had no overall impact on the statement.</p> <p>For Vale of White Horse DC we identified one error relating to the cashflow statement, where £2,116k relating to the cash proceeds from the disposal of assets omitted from the statement. The adjustment was to include (£2,116k) in the "Adjustment for profit/loss on investment and</p>

---

	<p>finance activity" line in the cashflow from operating activities section, and £2,116k in the "Proceeds from sale of PPE, investment property and intangible" line in the cashflow from investing activities section.</p> <p>These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the March Joint Audit and Governance Committee meeting, we set materiality of £1.281m for South Oxfordshire DC and £1.158m for Vale of White Horse DC when deciding on our audit procedures. We have reassessed this based on the Council's actual results and we have increased this amount to £1.354m and £1.176m respectively due to the gross operating expenditure for 2015/16 being higher than the prior year, which was the basis of our initial materiality.</p> <p>The threshold for reporting audit differences, which have an impact on the financial statements, has increased from £64,072 to £67,700 for South Oxfordshire DC and £57,932 to £58,818 for Vale of White Horse DC. The basis of our assessment is 2% of gross operating expenditure, which is consistent with prior years.</p> <p>We carried out our work in accordance with the Audit Plan, this included placing reliance on a number of key financial systems. However as we verbally updated the committee in March, due to control failures identified through our testing and the work of internal audit we were unable to place reliance on controls in the accounts payable system for both Councils, and for the accounts receivable system for South Oxfordshire DC.</p> <p>We therefore adopted a substantive approach to gain assurance for these areas, resulting in larger sample sizes. There are no matters to report in relation to the substantive testing we performed.</p>
Significant audit risks	<p>We identified the following audit risks during our planning, and reported them in our audit plan:</p> <ul style="list-style-type: none"> <li>• Risk of management override</li> </ul> <p>'Addressing audit risks' sets out how we have gained audit assurance over this issue.</p>
Other reporting issues	<p>We have no other matters to report.</p>
Control observations	<p>We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements and which the Council does not know about.</p>

---

We would like to take this opportunity to thank the Councils' staff for their assistance during the audit.

Andrew Brittain

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Councils' responsibilities

The Councils are responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Councils report publicly on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements, and any planned changes in future.

The Councils are also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report by exception on the AGS;
- consider and report any matters that prevent us being satisfied that the Councils have proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

This report also contains our findings on any areas of audit emphasis and our views on any significant deficiencies in internal control or the Councils' accounting policies and key judgements.

We also review and report to the National Audit Office on the Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks when we planned our audit, and reported them in our Audit Plan. We set out below how we have gained the necessary audit assurance.

A significant audit risk is an inherent risk which is both more likely to happen and has a greater effect if it does happen; so it requires special audit consideration. For significant risks, we obtain a relevant understanding of the entity's controls and assess their design and implementation.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Reviewed accounting estimates for evidence of management bias [add specific details as required]</li> <li>• Evaluated the business rationale for any significant unusual transactions [add specific details as required]</li> </ul>	<ul style="list-style-type: none"> <li>• From our procedures in relation to journal entries we have not identified any indication management override of controls.</li> <li>• Our review of accounting estimates has found that estimates are reasonable, and there was no indication of bias in the calculation of the estimates.</li> <li>• From our review of the general ledger, and other audit procedures we have not identified any significant or unusual transactions which are outside the usual course of business.</li> </ul>

We also identified the following 'other' audit risks.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>As the Councils moves towards the implementation of the new corporate services contract there is risk that finance staff may leave the Councils. This could result in the Councils having insufficient resource to deliver the financial statements in line with the agreed audit timetable, and cause delays in responding to audit queries.</p>	<ul style="list-style-type: none"> <li>• Regular discussions with key officers to ensure that any delays are communicated at an early stage</li> <li>• Identifying opportunities to bring our work forward</li> </ul>	<p>The accounts were delivered within the agreed timescales and issues were resolved in a timely manner.</p>
<p>Following changes in accounting standards, the Councils have identified a number of assets misclassified in prior periods. The Councils propose to reclassify these assets in the 2015/16 financial statements. Given the value of the assets, there is a higher inherent risk of error.</p>	<ul style="list-style-type: none"> <li>• Review of the reclassification entries</li> <li>• Review of the disclosures to ensure compliance with the CIPFA code</li> </ul>	<p>We have agreed the reclassification entries and confirmed that these are appropriate.</p> <p>The disclosures made in the financial statements are compliant with the requirements of the CIPFA Code.</p>

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell the Councils of significant findings from the audit and any other matters significant to oversight of the Councils' financial reporting process, including the following:

- qualitative aspects of accounting practices, estimates and disclosures;
- matters specifically required by other auditing standards to be reported to those charged with governance, e.g. issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We have no matters to report.

## Control themes and observations

It is the Councils' responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Councils have arrangements to satisfy itself that this is indeed the case.

We have tested controls only as far as necessary to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements that the Councils do not know about.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Councils.

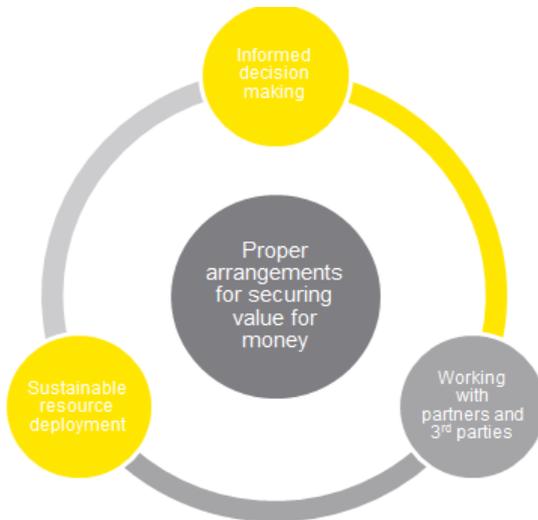
## **Request for written representations**

We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in Appendix E.

## **Whole of Government Accounts**

We also review and report to the National Audit Office on the Councils' Whole of Government Accounts returns. The extent of our review is specified by the National Audit Office.

## 4. Value for money



We must consider whether the Councils have 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They consist of the Councils' arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

### Overall conclusion

We identified one significant risk relating to both Councils for these criteria:

- Working with partners and 3<sup>rd</sup> Parties – the risk relates to the tendering for a new corporate services contract with 3 other local authorities

We have performed the procedures as outlined in our audit plan.

We therefore expect to conclude that the Councils have proper arrangements to secure value for money in their use of resources.

## Significant risks

The table below presents the findings of our planned work;

VFM risk identified in our audit plan	
<p>Corporate Services Contract</p> <p>The two Councils have tendered for a new corporate services contract with 3 other local authorities. The procurement is for 2 lots, one for data based services and one for property based services. The contracts are for a period of up to 9 years to 30 September 2025, with forecast savings of £50.65m across the 5 councils.</p> <p>These contracts are due to start in the 2016/17 financial year; however the contracts have been procured and entered into in 2015/16.</p> <p>We consider there to be a significant risk to our value for money conclusion in relation to the procurement of the contracts and in establishing the governance arrangements between the Councils.</p>	
Our approach to the risk	Key findings
<p>Review of the evaluation process for awarding the preferred supplier for both lots.</p>	<p>Each stage of the procurement process was focussed on retaining and improving customer service, whilst increasing value for money. The procurement strategy considered by the Project Board, established the key outcomes the councils wished to achieve for the new services and this was built into many areas of the invitation to tender including customer service, health and safety and quality assurance. Tenderers were required to submit service delivery plans, which were compared to these outcomes.</p> <p>The evaluation was carried out on the basis of a joint contract for all five councils. The bids were reviewed by representatives of each of the Councils, including legal and financial representatives. A moderation meeting was held for both lots to reach a coherent single result based on quantitative and qualitative factors.</p> <p>Our review of the procurement process confirmed that the approach to the evaluation of the bidders, for both lots, was appropriate and objective.</p>
<p>Review of the revised Inter-Authority Agreement, and the adequacy of the proposed governance arrangements</p>	<p>A revised legally binding inter-authority agreement (the IAA) was agreed and signed by all 5 councils after the award of the Capita and Vinci contracts. The revised IAA clearly sets out the agreed arrangements for managing and monitoring the contracts.</p> <p>The IAA clearly sets out the expectations and roles of the authorities in relation to the Corporate Services Contract. It establishes a number of key boards, to provide regular oversight and governance of the contract for all of the Authorities involved. These should ensure sufficient challenge and scrutiny of Suppliers, and enable the authorities to apply the appropriate sanctions in the contract for any poor performance.</p> <p>We conclude that the proposed governance arrangements established in the corporate services contract and the Inter-Authority Agreement will provide sufficient oversight and effective governance of the contract.</p> <p>As the contracts became effective from 1 August 2016 for both Councils and later for the other Authorities, the arrangements were not operational. This is likely to be an area of focus for our work relating to the 2016/17 financial year.</p>

## Appendix A – Uncorrected audit differences – South Oxfordshire DC

We identified the following difference greater than £67,700 during our audit, which are not considered material by management or by us for adjustments. We bring them to the Committee's attention to enable members to form their own view.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £[000/m]
Property Plant and Equipment	123	
Revaluation Reserve	123	

We identified that the Council had not recognised the revaluation increase of one asset in the financial statements. This was due to delays in receiving the final valuation report after the production of the draft financial statements. The effect was to understate assets and unusable reserves by £123k. The valuation of the asset will be updated in the 2016/17 financial statements.

## Appendix B – Independence

We confirm that there are no changes in our assessment of independence since our confirmation in the Audit Plan dated 28 February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we do not know of any relationships that may affect the independence and objectivity of the firm and which auditing and ethical standards require us to report to you.

We consider that our independence in this context is a matter that should be reviewed both by the Council and by us. It is therefore important that you consider any facts you know about and come to a view. If you wish to discuss any matters concerning our independence, we will be happy to do so at the Joint Audit and Governance Committee on 26 September 2016.

We confirm that we have met the reporting requirements to the Joint Audit and Governance Committee as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan for doing this was set out in the Audit Plan of 28 February 2016.

## Appendix C – Auditor fees

The tables below sets out the scale fee and our final proposed audit fees

Vale of White Horse DC

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	49,705	47,129
Certification of claims and returns	11,616	11,616

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work. The variation to the scale fee identified above is due to the following;

- Additional work to address the significant risk to the Value for Money Conclusion relating to the 5 Councils Partnership. We have undertaken additional work to review the tender evaluation process, including meeting with key officers, review of key documentation. We have also considered the adequacy of governance arrangements for the new contracts. Increase to the scale fee of £1,081.
- Our audit plan set out a planned controls reliance approach for accounts payable. We identified multiple control failures, and we were unable to identify suitable compensating controls to mitigate the impact. We therefore have adopted a substantive approach to testing of AP. This has required the selection and testing of additional samples, resulting in additional time to select the sample, liaise with the client to obtain the supporting information and document the results. Increase to the scale fee of £1,495.

South Oxfordshire DC

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	51,231	48,186
Certification of claims and returns	10,972	10,972

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work. The variation to the scale fee identified above is due to the following;

- Additional work to address the significant risk to the Value for Money Conclusion relating to the 5 Councils Partnership. We have undertaken additional work to review the tender evaluation process, including meeting with key officers, review of key documentation. We have also considered the adequacy of governance arrangements for the new contracts. key officers, review of key documentation. We have also considered the adequacy of governance arrangements for the new contracts. Increase to the scale fee of £1,081.

- Our audit plan set out a planned controls reliance approach for both the accounts payable and accounts receivable. We identified multiple control failures in both areas, and we were unable to identify suitable compensating controls to mitigate the impact. We therefore have adopted a substantive approach to testing of AP and AR. This has required the selection and testing of additional samples, resulting in additional time to select the sample, liaise with the client to obtain the supporting information and document the results. Increase to the scale fee of £1,964.

We confirm we have not undertaken any non-audit work outside the PSAA's requirements.

## Appendix D – Draft audit report

### South Oxfordshire DC

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH OXFORDSHIRE DISTRICT COUNCIL

##### Opinion on the Authority's financial statements

We have audited the financial statements of South Oxfordshire District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund<sup>1</sup> and the related notes 1 to 3
- and the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of South Oxfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the statement of accounts set out on page 21, the Head of Finance and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial

statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Oxfordshire District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

#### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on South Oxfordshire District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code

of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, South Oxfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

#### Certificate

We certify that we have completed the audit of the accounts of South Oxfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Andrew Brittain (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

XX September 2016

## Vale of White Horse DC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALE OF WHITE HORSE DISTRICT COUNCIL

#### Opinion on the Authority's financial statements

We have audited the financial statements of Vale of White Horse District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund<sup>2</sup> and the related notes 1 to 3
- and the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Vale of White Horse District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Head of Finance and Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the statement of accounts set out on page 21, the Head of Finance and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Vale of White Horse District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Vale of White Horse District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Vale of White Horse District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

#### Certificate

We certify that we have completed the audit of the accounts of Vale of White Horse District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Andrew Brittain (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

XX September 2016

## Appendix E – Management representation letter

### South Oxfordshire DC

[To be prepared on the entity's letterhead]

[Date]

Andrew Brittain  
Ernst & Young  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

This representation letter is provided in connection with your audit of the financial statements of South Oxfordshire District Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of South Oxfordshire District Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because **[specify reasons for not correcting misstatement]**

**B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Councils' internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

**C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet, Joint Scrutiny Committee and Joint Audit and Governance Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements,

guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

**F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

**G. Accounting Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

**H Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the

business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### I Use of the Work of an Expert

1. We agree with the findings of Barnett Waddingham engaged to provide IAS19 valuation services for the defined benefit pension scheme as set out in Note 17 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.
2. We believe the measurement processes employed, including related assumptions and models, in determining accounting estimates is appropriate and consistent with our expectations.
3. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

---

Finance Director

I confirm that this letter has been discussed and agreed at the Joint Audit and Governance Committee on 26 September 2016

## Schedule of Uncorrected Errors

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Property Plant and Equipment	123	
Revaluation Reserve	123	

## Vale of White Horse DC

[To be prepared on the entity's letterhead]

[Date]

Andrew Brittain  
Ernst & Young  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

This representation letter is provided in connection with your audit of the financial statements of Vale of White Horse District Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of South Oxfordshire District Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United

Kingdom 2015-16 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 that are free from material misstatement, whether due to fraud or error.

**B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

**C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

**D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet, Joint Scrutiny Committee and Joint Audit and Governance Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

#### F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.

- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### I Use of the Work of an Expert

1. We agree with the findings of Barnett Waddingham engaged to provide IAS19 valuation services for the defined benefit pension scheme as set out in Note 16 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.
2. We believe the measurement processes employed, including related assumptions and models, in determining accounting estimates is appropriate and consistent with our expectations.
3. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

---

Finance Director

I confirm that this letter has been discussed and agreed at the Joint Audit and Governance Committee on 26 September 2016

## Appendix F – Required communication with the audit committee

We must provide certain communications to the Audit Committees of UK clients, as detailed below:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> <li>▶ Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Any significant difficulties encountered during the audit</li> <li>▶ Any significant matters arising from the audit and discussed with management</li> <li>▶ Written representations requested from management</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Any other matters significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Councils ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements relating to prior periods</li> <li>▶ A request for any uncorrected misstatement to be corrected</li> <li>▶ In writing, any significant corrected misstatements</li> </ul>	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud we have identified or information obtained indicating that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ non-disclosure by management</li> <li>▶ inappropriate authorisation and approval of transactions</li> <li>▶ disagreement over disclosures</li> <li>▶ non-compliance with laws and regulations</li> <li>▶ difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> <li>▶ Management’s refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Ask the audit committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and which the audit committee may know about</li> </ul>	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p>Independence</p> <p>Communication of all significant facts and matters bearing on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ the principal threats</li> <li>▶ safeguards adopted and their effectiveness</li> <li>▶ an overall assessment of threats and safeguards</li> <li>▶ information about the general policies and processes to maintain objectivity and independence</li> </ul>	<p>Audit Plan and Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit Results Report</p>
<p>Fee Information</p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan Audit Results Report</p>
<p>Certification work</p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Certification Report</p>

**EY | Assurance | Tax | Transactions | Advisory**

**Ernst & Young LLP**

© Ernst & Young LLP. Published in the UK.  
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)