

Supplementary Papers



Listening Learning Leading

Contact Officer: Ron Schrieber, Democratic Services Officer
Tel: 01235 422524

FOR THE MEETING OF

Joint Audit and Governance Committee

held in the Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14 4SB

on Monday 14 October 2019 at 6.30 pm

Open to the public including the press

The reports marked 'to follow' on the agenda published on 4 October 2019 are attached. Please bring these with you to the meeting.

- 7 **Statement of Accounts 2018/19** (Pages 2 - 6)
To consider the **draft** statements of accounts 2018/19 (attached).
- 11 **Letter of Representation to the external auditor - South Oxfordshire** (Pages 7 - 12)
RECOMMENDED: to agree that the co-chairman from South Oxfordshire District Council signs the letter of representation to the external auditor (**to follow**).
- 12 **Letter of Representation to the external auditor - Vale of White Horse** (Pages 13 - 18)
RECOMMENDED: to agree that the co-chairman from Vale of White Horse District Council signs the letter of representation to the external auditor (**to follow**).

Joint Audit and Governance Committee



Report of Head of Finance

Author: Simon Hewings

Telephone: 01235 422499

Textphone: 18001 01235 422499

E-mail: simon.hewings@southandvale.gov.uk

Wards affected: all

South Cabinet member responsible: David Turner

Vale Cabinet member responsible: Andrew Crawford

Tel: 01865 891169

Tel: 01235 772134

E-mail: David.turner@southoxon.gov.uk

E-mail: Andy.crawford@whitehorsedc.gov.uk

To: Joint Audit and Governance Committee

DATE: 14 October 2019

Statement of accounts 2018/19

Recommendation

- (a) The statement of accounts for South Oxfordshire District Council and Vale of White Horse District Council for 2018/19 be approved as amended
- (b) The statement of accounts for South Oxfordshire District Council be signed by the chairman of this meeting of the committee and by the co-chairman from South Oxfordshire District Council
- (c) The statement of accounts for Vale of White Horse District Council be signed by the chairman of this meeting
- (d) To authorise the Head of Finance to agree minor changes identified by the external auditor to the statements of accounts following this meeting, and to ask the chairman and co-chairman of this meeting to sign an amended version of the accounts if required that reflects those changes
- (e) To agree, in the event of significant changes being identified by the external auditor following this meeting, that the statements of accounts be brought to a further meeting of this committee

Purpose of Report

1. To consider the processes involved in the production of the statements of accounts for both councils and to approve the final versions for 2018/19, subject to satisfactory completion of external audit's review of the accounts.

Strategic Objectives

2. The allocation of financial resources needs to match the objectives agreed by the council. The statement of accounts details these resources as at the end of the financial year.

Background

3. The Strategic Finance Manager & Deputy Section 151 Officer approved the 2018/19 statements of accounts for external audit of South Oxfordshire District Council on 10 June 2019 and Vale of White Horse District Council on 7 June 2019. The external audit of those statements by EY is now substantially complete and is expected to be finished by 18 October.
4. The draft accounts prepared for external audit were approved after the statutory deadline of 31 May. This delay was due to the need for corrections to be made to the statements that were prepared by the Capita financial accounting team. Separately, the councils were advised on 13 June by EY that, due to their own resourcing issues, they would be unable to complete the audit of the accounts by the statutory deadline of 31 July and the audit would be rescheduled. The audit of the accounts began on 2 September. As members may be aware, the councils are not alone in having a delay to the external audit of the accounts, as nationally 40 per cent of council accounts were not signed off by the statutory deadline.
5. Subsequent to the approval of the draft accounts, and prior to the audit commencing, a thorough, qualitative review of the draft accounts was undertaken by the Capita financial accounting team. The accounts circulated with the agenda reflect changes following this review and are the accounts that were provided to EY to audit when they started on site in September. They are also the accounts that provided the basis of the informal training session for members ahead of this committee.
6. Attached as appendix 1 to this report is a schedule of changes to these revised accounts that have been identified by EY during the course of their audit work so far. This schedule, also discussed during the informal training session should, therefore, be read in conjunction with the draft accounts.
7. As the external audit process is not complete, a latest version of the accounts will be signed. Committee is therefore asked to agree that, following this meeting, if minor changes to the accounts are identified by EY and agreed by the Head of Finance, then the chairman and co-chairman of this committee will sign amended versions of the accounts as required. In the event that, following this meeting, more significant issues arise with the accounts then the accounts will not be published, but will have to be brought back to a future meeting of this committee.
8. Looking ahead to next year's accounts, the delays in approving the draft accounts received from the Capita financial accounting team have been escalated with

Capita. They have since brought in additional, qualified local government accountants to support the Mendip based team, and a review of resources working on financial management is being carried out.

9. The current statutory deadlines of 31 May for approving draft accounts, and 31 July for completion of the external audit, are extremely challenging. The issues experienced this year in achieving these deadlines nationally will, amongst other matters, be the subject of a government “Review of local authority financial reporting and external audit”.

Financial Implications

10. There are no direct financial implications arising from this report.

Legal Implications

11. Approval of the amended statement of accounts by the committee fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

Risks

12. None

Other Implications

13. None

Conclusion

14. The audit of the 2018/19 statements of accounts is now substantially complete and, following their approval they can be published.

APPENDIX 1

Changes to Statement of Accounts 2018/19

South Oxfordshire District Council

Area	Reason for change	Parts of Accounts effected	£'000
PPE	Upward Revaluation of assets received post start of the audit	Balance Sheet - PPE/Revaluation Reserve PPE and Reserves related notes to the Accounts	517
Officer Remuneration	Revised values following audit review	Note 19a Officer remuneration	17
Long-Term Debtors	Revised values following audit review	Balance Sheet- Long term Debtors CIES MIRS Notes to the Accounts	1,769
Investments	Revised accounting treatment of investments	Balance Sheet Notes to the Accounts	425

Vale of White Horse District Council

Area	Reason for change	Parts of Accounts effected	£'000
PPE	Upward Revaluation of assets received post start of the audit	Balance Sheet - PPE/Revaluation Reserve PPE and Reserves related notes to the Accounts	1,085

Officer Renumeration	Revised values following audit review	Note 18a Officer remuneration CIES MIRS Balance Sheet	17
Investments	Revised accounting treatment of investments	Notes to the Accounts	41

Finance

HEAD OF SERVICE: WILLIAM JACOBS



Listening Learning Leading

Kevin Suter
Associate Partner
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

CONTACT OFFICER: **William Jacobs**
William.jacobs@southoxon.gov.uk
Tel: 01235 422480

135 Eastern Avenue, Milton Park
Milton OX14 4SB

Your reference:
Our reference

14 October 2019

Dear Kevin

This letter of representations is provided in connection with your audit of the financial statements of South Oxfordshire District Council (“the Council”) for the year ended 31 March 2019. 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 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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), 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 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.¹
2. We acknowledge, as members of management of the Council, 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,

¹ ISA (UK) 580.10



financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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. As members of management of the Council, 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 2018/19, that are free from material misstatement, whether due to fraud or error.²
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.³ We have not corrected these differences identified by and brought to the attention from the auditor because we do not consider that the impact of doing so would be material to the reader of the accounts.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.⁴
3. 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.⁵
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

² ISA (UK) 210.6(b)(ii)

³ ISA (UK) 450.14

⁴ ISA (UK) 240.39(a)

⁵ ISA (UK) 240.39(b)



- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.⁶

C. 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;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.⁷
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.⁸
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year 2018/19 to the most recent meeting on 14 October 2019.
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.⁹

⁶ ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

⁷ ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)

⁸ ISA (UK) 580.11(b)

⁹ ISA (UK) 550.26



5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.¹⁰
6. 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.

D. 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.¹¹
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.¹²

E. Subsequent Events

1. Other than those described in Note 31 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.¹³

F. Other information¹⁴

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement; the Statement of Responsibilities for the Statement of Accounts; the Glossary of Terms; and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

¹⁰ ISA (UK) 540.22

¹¹ ISA (UK) 501.12

¹² ISA (UK) 501.12

¹³ ISA (UK) 560.9

¹⁴ Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.



H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, actuarial valuation of Pension Fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists 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 specialists.

I. Pensions Liability, PPE Valuations and NDR Appeals Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

J. 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.

Yours sincerely

(Head of Finance and Section 151 Officer)

(Chairman of Audit & Governance Committee)



Schedule of Unadjusted Audit Differences

	Liabilities Non-Current Debit/ (Credit) £	Effect on the Current Period OCI Debit/ (Credit) £
<i>Difference that would arise on recognition of GMP equalisation liabilities:</i>		
Past service cost		492,000
Pensions Liability	(492,000)	
<i>Difference that would arise on correction of unsupported adjustments between actuary report and Authority workings:</i>		
Past service cost		(291,000)
Pensions Accrual	291,000	

Finance

HEAD OF SERVICE: WILLIAM JACOBS



Kevin Suter
Associate Partner
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

CONTACT OFFICER: **William Jacobs**
William.jacobs@southoxon.gov.uk
Tel: 01235 422480

135 Eastern Avenue, Milton Park
Milton OX14 4SB

Your reference:
Our reference:

14 October 2019

Dear Kevin

This letter of representations 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 2019. 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 Vale of White Horse District Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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), 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 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.¹

¹ ISA (UK) 580.10



2. We acknowledge, as members of management of the Council, 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, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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. As members of management of the Council, 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 2018/19, that are free from material misstatement, whether due to fraud or error.²
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.³ We have not corrected these differences identified by and brought to the attention from the auditor because we do not consider that the impact of doing so would be material to the reader of the accounts.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.⁴
3. 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.⁵
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;

² ISA (UK) 210.6(b)(ii)

³ ISA (UK) 450.14

⁴ ISA (UK) 240.39(a)

⁵ ISA (UK) 240.39(b)



- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.⁶

C. 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;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.⁷
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.⁸
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year 2018/19 to the most recent meeting on 14 October 2019.
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.⁹

⁶ ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

⁷ ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)

⁸ ISA (UK) 580.11(b)

⁹ ISA (UK) 550.26



5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.¹⁰
6. 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.

D. 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.¹¹
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 24 to the financial statements all guarantees that we have given to third parties.¹²

E. Subsequent Events

1. Other than those described in Note 29 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.¹³

F. Other information¹⁴

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement; the Statement of Responsibilities for the Statement of Accounts; the Glossary of Terms; and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

¹⁰ ISA (UK) 540.22

¹¹ ISA (UK) 501.12

¹² ISA (UK) 501.12

¹³ ISA (UK) 560.9

¹⁴ Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.



H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, actuarial valuation of Pension Fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists 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 specialists.

I. Pensions Liability, PPE Valuations and NDR Appeals Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

J. 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.

Yours sincerely

(Head of Finance and Section 151 Officer)

(Chairman of Audit & Governance Committee)

Schedule of Unadjusted Audit Differences

	Liabilities Non-Current Debit/ (Credit) £	Effect on the Current Period OCI Debit/ (Credit) £
<i>Difference that would arise on recognition of GMP equalisation liabilities:</i>		
Past service cost Pensions Liability	(327,000)	327,000
<i>Difference that would arise on correction of unsupported adjustments between actuary report and Authority workings:</i>		
Past Service cost		(103,000)
Pension Accrual	103,000	