

**South Oxfordshire District Council**

**Audit results report**

Year ended 31 March 2021

May 2022

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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Agenda Item 6



16 May 2022

Dear Joint Audit and Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Joint Audit and Governance Committee. This report summarises our audit conclusions in relation to the audit of South Oxfordshire District Council for the year ended 31 March 2021.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no significant matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Joint Audit and Governance Committee Members, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the meeting of the Joint Audit and Governance Committee on 24 May 2022.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

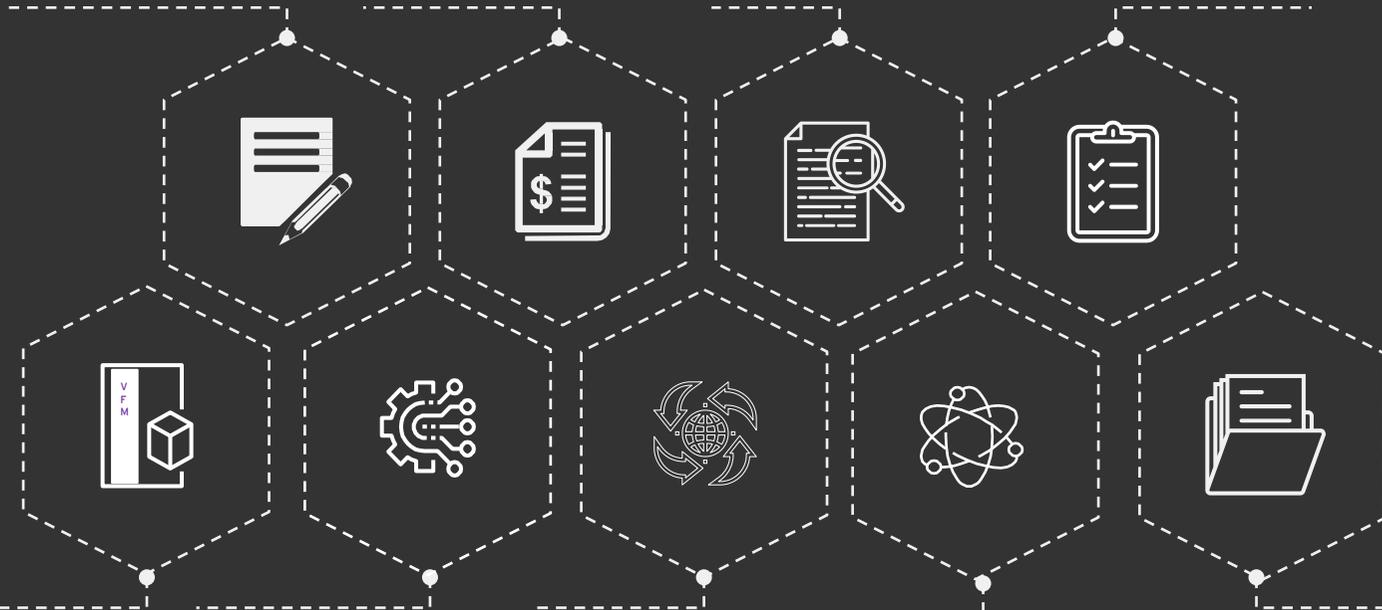
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Joint Audit and Governance Committee and management of South Oxfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit and Governance Committee and management of South Oxfordshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit and Governance Committee and management of South Oxfordshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary

## Scope update

In our Audit Planning Report presented at the 25 January 2022 Joint Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements of South Oxfordshire District Council. We carried out our audit in accordance with this plan.

## Status of the audit

We have substantially completed our audits of South Oxfordshire District Council financial statements for the year ended 31 March 2021. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Review of the requested amendments to the final version of the accounts
- ▶ Completion of subsequent events review up to the date of signing the audit report;
- ▶ Receipt of the signed accounts and management representation letter

Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. We will provide an update on the status of the audits at the 24 May 2022 committee meeting.

# Executive Summary

## Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**  
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:**  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

## Status of the audit – Value for Money

In our Audit Planning Report and subsequent update to the Audit Committee, we reported that we had substantially completed our value for money (VFM) risk assessment and had identified one risk of significant weakness against the reporting criteria financial sustainability.

We have since completed our VFM risks assessment and confirm that we have identified no other risk of significant weakness. We have therefore identified one risk at in relation to the significant budget gap in the council's Medium Term Financial Plan and the continued drawdown of reserves. This risk falls into the criteria "Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver their services".

We have completed our planned procedures which included assessing the process the Council had undertaken to address this issue, and evaluated the 2022 MTFP. We have determined that there is not a significant weakness in the Council's arrangements for supporting its financial sustainability.

We have also revisited our risk assessment on completion of the audit of the financial statements and have not identified any new risks of significant weakness in VFM arrangements.

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. We include further details in Section 04.



# Executive Summary

## Audit differences

We have identified adjusted audit differences for South Oxfordshire District Council, and no unadjusted audit differences. We have also identified some adjustments required to disclosure notes. Further details are set out in Section 4.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Joint Audit & Governance Committee at the meeting on 24 May 2022 if we identify any issues by the time of the meeting.

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section 2 of this report. We have identified no new audit risks since our Audit Planning Report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Joint Audit and Governance Committee.

## Control observations

We have identified one control observation in respect of the adequacy of managements challenge and review of the work of their specialist employed in the valuation of property, plant and equipment and investment property. We judge that the Council's internal control environment with regard to this specific was not sufficient and potentially could have led to material misstatements. Further details are presented in section 7 of this report.

We have not identified any other significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.



# Executive Summary

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## Other reporting issues

We review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We do not have any matters to report as a result of this work.

We are yet to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because the NAO are as yet unable to issue their group audit instruction.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence. We have no independence issues to report.



# 02

## Areas of Audit Focus



# Areas of Audit Focus

## Fraud Risk

**Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure**

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

### What did we do?

We have:

- ▶ reviewed and tested revenue and expenditure recognition policies;
- ▶ tested PPE additions using lowered testing thresholds to ensure that the expenditure incurred and capitalised was clearly capital in nature;
- ▶ tested expenditure classified as REFCUS using lowered testing thresholds to ensure it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources;
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes at the end of the year;
- ▶ We utilised our data analytics capabilities to assist with our work, including journal entry testing.

### What are our conclusions?

We have completed our planned procedures with regard to this fraud risk and have identified two misstatements.

Testing of property, plant and equipment additions identified duplicate expenditure of £169k

We identified in REFCUS that the Council included salary recharges for survey works to council properties to determine whether property should be kept, disposed or improved. We challenged as to a) whether this meets capitalisation criteria, and b) whether it meets REFCUS.

Our assessment was it met neither.

Management agreed with our view, and an amendment was made.

We have assessed the misstatements and concluded they are caused by error and not by fraud.



# Areas of Audit Focus

## Fraud Risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

#### What did we do?

We undertook our procedures to address fraud risks, which included:

- ▶ inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ performing mandatory procedures regardless of specifically identified fraud risks, including:
  - testing of journal entries and other adjustments in the preparation of the financial statements.
  - evaluating accounting estimates for any evidence of management bias
  - evaluating the business rationale for significant unusual transactions

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We did not identify any inappropriate journal entries.

We have not identified any instances of inappropriate judgements being applied in estimates from management bias.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business



## Areas of audit focus

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><b>Valuation of Land and Building, and Investment Property</b></p> <p>The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in both Council's balance sheets and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ considered the work performed by the Council's valuers (LSH), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ reviewed the internal challenge of LSH's valuations by the Council's surveyor;</li> <li>▶ sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuers;</li> <li>▶ considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property.</li> <li>▶ reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ considered changes to useful economic lives as a result of the most recent valuation;</li> <li>▶ tested to confirm that accounting entries have been correctly processed in the financial statements.</li> </ul> <p>We have completed our planned procedures with regard to this area of audit focus and have identified no material misstatements with regard to investment properties. For one asset we challenged the yield used by the valuer as a key assumption, where their evidence provided did not support the yield used. An adjustment was agreed, resulting in a change of value (reduction) of £217k.</p> <p>In relation to the valuation of operational land and buildings we identified that the Council had not obtained the detailed valuation report until we requested it for our audit. Therefore, we have identified a control deficiency as a result of our work. This is included in Section 7.</p>



# Areas of audit focus

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><b><u>Pension Liability Valuation</u></b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Councils' balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ liaised with the auditors of the Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to South Oxfordshire District Council;</li> <li>▶ assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;</li> <li>▶ reviewed and tested the accounting entries and disclosures made within the Council's financial;</li> <li>▶ engaged the EY actuarial team to calculate a point estimate of each Council's pension liability.</li> </ul> <p>The revised auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuary commissioned by the NAO for all local government sector audits, were able to access the detailed models of the actuaries in order to evidence these requirements. Therefore we needed to create an auditor's estimate of the Council's pension liability, to provide a different method of gaining assurance than in previous years. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range.</p> <p>We have completed our planned procedures in relation to this area of audit focus and have no matters to report.</p>



# Areas of audit focus

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<p><b>Accounting for Community Infrastructure Levy (CIL) Income</b></p> <p>We identified material errors in relation to CIL income in our 2019/20 audit. The errors were corrected by management, and we reported these as adjusted misstatements to the Joint Audit &amp; Governance Committee in our 2019/20 audit results report in November 2021. Whilst management has corrected its accounting policy in relation to CIL income, due to the timing of when the error was identified, there remains a risk that the impact of the previous incorrect accounting policy is not quantified correctly and adjusted for in the 2020/21 financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Tested CIL income using lowered testing thresholds and ensure income is appropriately supported by documentary evidence,</li> <li>▶ Tested cut-off to ensure CIL income is being accounted for in the correct financial year, and in accordance with the accounting treatments specified in the CIPFA Code.</li> </ul> <p>We have completed our planner procedures in relation to this area of audit focus and have identified one projected misstatement at South Oxfordshire District Council with an income effect of £137k.</p>
<p><b>Accounting for Covid-19 Related Grants</b></p> <p>The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ considered the Council's judgement on material grants received in relation to whether it is acting as: <ul style="list-style-type: none"> <li>○ An agent, where it has determined that it is acting as an intermediary; or</li> <li>○ Principal, where the Council has determined that it is acting on its own behalf.</li> </ul> </li> </ul> <p>We have completed our planned procedures in relation to this area of audit focus and have no matters to report.</p>



# 03

## Audit Report



# Audit Report

## Our opinion on the financial statements

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

#### Opinion

We have audited the financial statements of South Oxfordshire District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 32 and Statement of Accounting Policies
- Collection Fund Account and the related notes 1 to 3

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 2020/21.

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 2021 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 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Finance & Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance & Section 151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.



# Audit Report

## Our opinion on the financial statements

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Finance & Section 151 Officer is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### 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;
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects



# Audit Report

## Our opinion on the financial statements

### Responsibility of the Head of Finance & Section 151 Officer

As explained more fully in the Statement of Responsibilities for the statement of accounts set out on page 17 the Head of Finance & Section 151 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance & Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),



# Audit Report

## Our opinion on the financial statements

- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how South Oxfordshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the authority's committee minutes, through enquiry of employees to confirm authority policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the /authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified improper recognition of revenue and expenditure (through the inappropriate capitalisation of revenue expenditure) and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine, and tested revenue expenditure funded from capital under statute (REFCUS) to ensure it's classification was correct.

To address our fraud risk of management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



# Audit Report

## Our opinion on the financial statements

### 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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether South Oxfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Vale of South Oxfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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, South Oxfordshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

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.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

### Use of our report

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 South Oxfordshire District Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements greater than £0.876m which have been corrected by management that were identified during the course of our audit:

- ▶ £0.650 incorrect revaluation of revaluations of finance lease debtor.
- ▶ £2.3m amendment of business rates and council tax income, identified from errors in completing the CIPFA model

Our work also identified a number of inconsistencies within the financial statements and errors in disclosure notes.

There were no uncorrected misstatements.



**05**

**Value for Money**



# Value for money

## The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

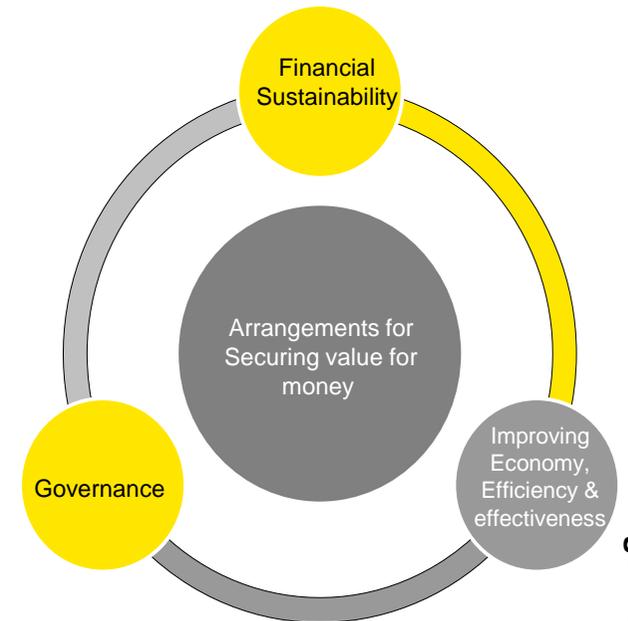
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment

In our Audit Planning Report we reported that we had substantially completed our value for money (VFM) risk assessment and had identified one risk of significant weakness against the reporting criteria financial sustainability.

We have since completed our VFM risk assessment and confirm that we have identified no other risk of significant weakness. We have therefore identified one risk at the Authority in relation to the significant budget gap in the council's Medium Term Financial Plan and the continued drawdown of reserves. This risk falls into the criteria "Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver their services".

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We include below the findings from our work on the risk of significant weakness we identified. We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.



Agenda Item 6



## Responding to a risk of significant weakness in VFM arrangements

### What is the risk of significant weakness?

The Council has a significant gap in its medium term financial plan (20/21 version), and a continued drawdown of reserves.

When presenting our Audit Results Report from the 2019/20 audit, our presentation to the Joint Audit & Governance Committee set out an expectation that the Council would need to be reviewing its plans and taking action before reserves diminished significantly.

### What arrangements did this impact?

Financial sustainability:  
How the Council plans and manages its resources to ensure it can continue to deliver its services

### What did we do?

- We:
- Reviewed the updated Medium Term Financial Plan, approved as part of the 2022/23 budget process;
  - Identified the key changes since the previous version;
  - Analysed changes in planned drawdown of reserves

## Findings

We note a marked reduction in the use of reserves as compared to the previous MTFP, down from £16.9m to £12.7m, a reduction of 25%.

We have reviewed the MTFP to understand the improvement, with specific focus on the first year of the MTFP (i.e. 2022/23). We can see Base Budget Savings have increased from £1.2m to £2.5m, plus an additional £0.3m of savings per year from 2022/23. Whilst other factors are moving each way, it is clear that material savings have been made to the budget.

We have reviewed the MTFP, and then considered the associated budget to which it relates as agreed in February 2022. The budget quotes our previous message to the Joint Audit & Governance Committee, and explains the process the Council have used to review the budget through the Base Budget Challenge. That challenge includes processes to remove ongoing surpluses, consolidate contingency into one, move towards ensuring costs are covered by discretionary fees and charges, and centralising and number of budgets such as legal, IT and property.

The budget paper then summarises the changes into additions (Appendix A.3) and reductions (Appendix A.4) from savings identified by management. To manage the risk, central contingency is increased. Transformation activity is still included, aiming to facilitate savings and efficient ways of working.

We concluded that assumption and proposals looked reasonable in our judgement.

The resulting impacts on planned drawdowns from reserves are set out overleaf, demonstrating that the reliance on reserves has reduced.

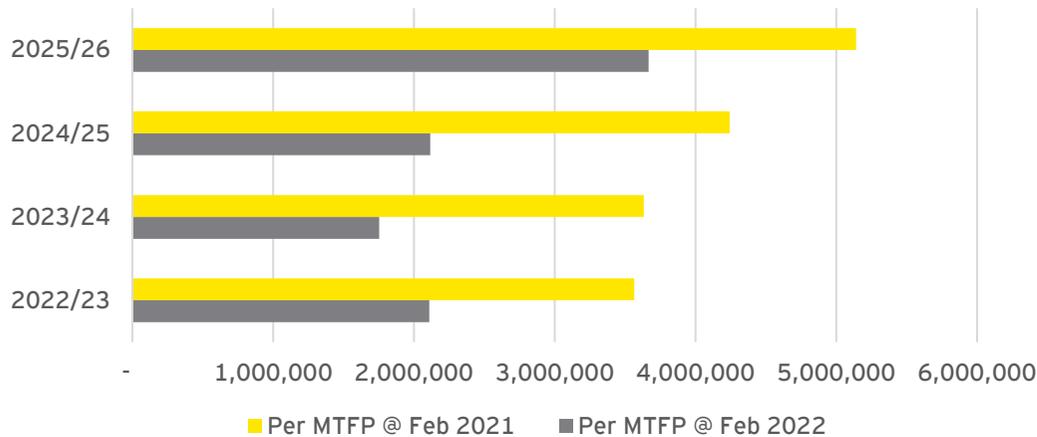


# Value for Money

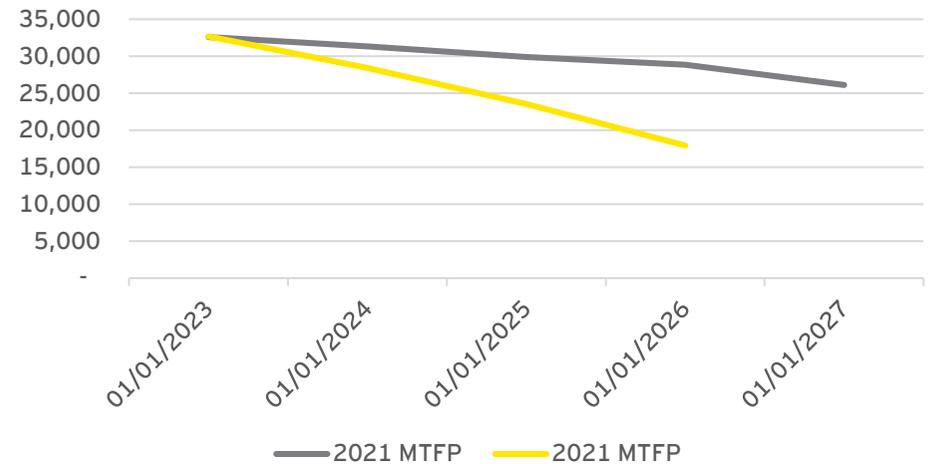
## Responding to a risk of significant weakness in VFM arrangements

### Findings

#### Reserve Drawdowns



#### General Funds + Earmarked Reserves



We recognise that the latest SODC MTFP (the 2022 MTFP) still shows a continued drawing down of reserves, however there has been marked improvement since the prior MTFP. This improvement has been underpinned by material savings which have been identified - providing assurance that officers and members have progressed the arrangements to ensure financial sustainability in the medium term. We note that the remaining significant drawdowns are in the final years of the plan, which is not uncommon as council's often have not identified the savings that may need to be made over that horizon.

That said, there is still a significant drawing down of c. £2m per annum in the next two years. Whilst in the long term this is not sustainable, we note the very strong reserve position of the council, and it would take a long time for reserves to deplete even at this rate of drawdown.

Given the strong level of reserves and the significant reduction in drawdowns, we are satisfied that there is no significant risk to financial resilience in the short or medium term. Therefore, we are satisfied with the direction of travel and that the Council has appropriate arrangements in place to manage its medium term sustainability.



# 06 Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the South Oxfordshire's Statement of Accounts 2020/21 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the South Oxfordshire Statement of Accounts 2020/21 published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statements and can confirm they are consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The group instruction is yet to be issued by the NAO, delayed because the consolidation tool has not been released by the Treasury,

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

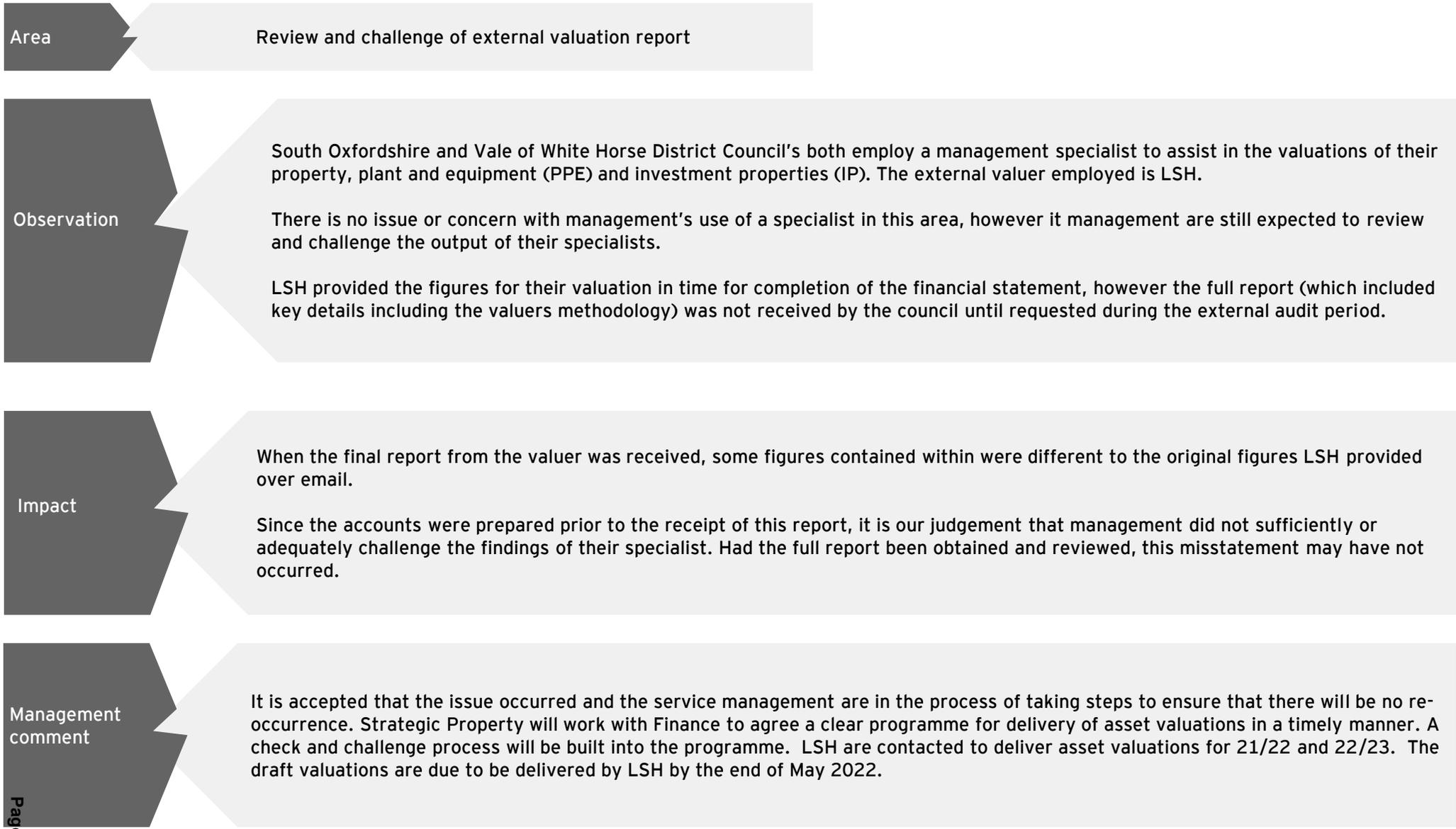


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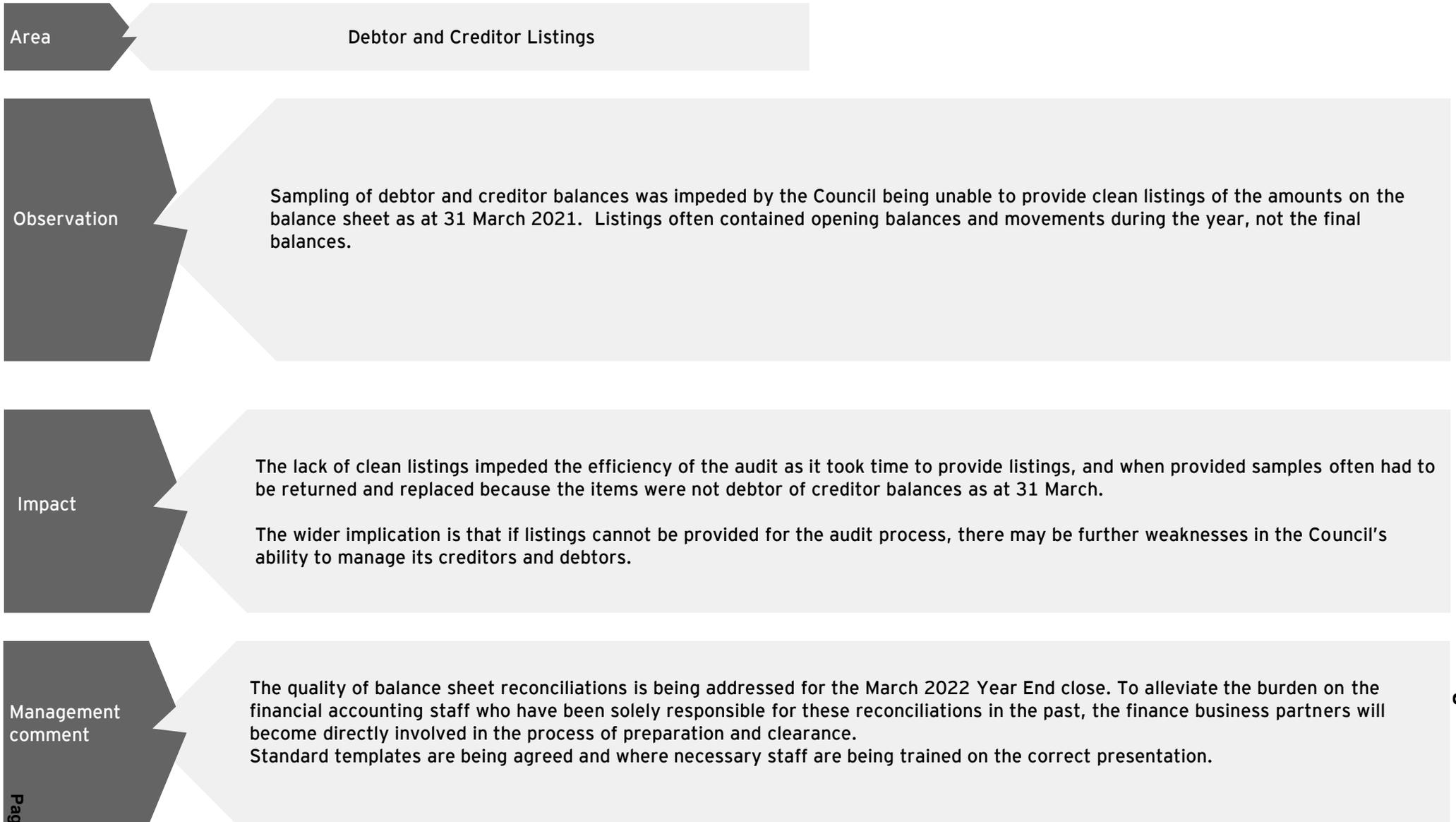
# Assessment of Control Environment



# Assessment of Control Environment



# Assessment of Control Environment





08

# Independence

# Relationships, services and related threats and safeguards

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## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report tabled at the 25 January 2022 Joint Audit and Governance Committee.

We complied with the FRC Ethical Standards and (the requirements of the 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Joint Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Joint Audit Committee and Governance Committee.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements, other than the role of reporting accountant for both authority's housing benefit subsidy return. This is a permitted service under the NAO's Auditor Guidance Note 01 (AGN01)

## Appendix A - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Audit Scale Fee - Code work	37,103	37,103	37,103
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	36,969	29,575	29,575
Revised Proposed Scale Fee	74,072	66,678	66,678
Scale Fee Variation - new VFM arrangements (Note 2)	6,000	6,000 - 11,000	N/A
Scale Fee Variation - revised ISA 540 (Note 2)	2,500	2,500	N/A
Scale Fee Variation due to one-off issues impacting 2019/20 and 2020/21 audits (see Note 3)	TBD	N/A	29,525
Total Proposed Audit Fee	TBD		96,203
None Audit Fee - Housing Benefit Certification Work	TBD	10,500	10,933

**Note 1** - We have previously discussed with the management and the Joint Audit and Governance Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2019/20 and 2020/21 the scale fee has been re-assessed to take these into account, using the same inputs. The fee impact rises by 25% in 2020/21, because PSAA fee variations rates have increased by 25%.

**Note 2** - In 2020/21, we expect the new VFM arrangements and revised ISA 540 (estimates) to result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a district council, of £6,000 - £11,000 in respect of the new VFM arrangements, and a minimum of £2,500 in respect of the revised ISA 540. We expect the final fee to be toward the bottom end of the ranges.

**Note 3** - we will complete the calculation of any specific variations, such as accounting for Covid-19 grants, at the completion of the audit. We expect the additional inputs to be less than the prior year, due to general improvements by the Council assisting the completion of the audit.

**Note 4** - The Housing Benefit non-audit work is still in progress. Final fees will be calculated including any additional testing required for any identified errors in the subsidy claim, consistent with the DWP HBAP instruction.

All audit fees are subject to determination by PSAA.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The fee table above includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the fee table above has been provided on a contingent fee basis.

As at the date of this report, we are contracted to provide audit services for a further three years from 1 April 2020.

### EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



# 09 Appendices

## Appendix A

# Required communications with the Joint Audit & Governance Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the joint audit and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> </ul>	Audit results report

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<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 together to raise any doubt about South Oxfordshire District Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	No subsequent events have come to our attention which might affect the financial statements.
Fraud	<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 Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit results report

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority'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 Authority</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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 process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report and Audit results report

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<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>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report/Annual Audit Letter

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Planning Report Audit Results Report

# Management representation letter

## Management Representation Letter

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 2021. 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 Council financial position of South Oxfordshire District Council as of 31 March 2021 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 2020/21.

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 2020/21.
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 2020/21, 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 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### 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.
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.

# Management representation letter

## Management Representation Letter

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;
- 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.

### 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.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic].

3. We have made available to you all minutes of the meetings of the Council and committees, including the Cabinet and Joint Audit and Governance Committee, (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the to the most recent meeting on the following date: **[list date]**.

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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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.

# Management representation letter

## Management Representation Letter

7. From the date of our last management representation letter (30/11/2021) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### 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.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to 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.

### E. Going Concern

1. Note 31 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. There have been no events including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

### I. Reserves

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

# Management representation letter

## Management Representation Letter

### J. 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 and of investment property; and the valuation of the net pension liability 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.

### K. Valuation of Property, Plant and Equipment, Investment Property and Net Pension Liability Estimate ('the Estimates')

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.
3. We confirm that the disclosures made in the financial statements with respect to the estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
5. We confirm that no adjustments are required to the estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

### L. 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.

### M. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
1. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, aligned with the statements we have made in the other information or other public communications made by us.

## EY | Assurance | Tax | Transactions | Advisory

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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