

South Oxfordshire District Council Audit Results Report

Year ended 31 March 2022

October 2023

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page.

Building a better
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Agenda Item 6

Private and Confidential

18 October 2023

**Joint Audit and Governance Committee
South Oxfordshire District Council**

Dear Members,

2021-22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Joint Audit and Governance Committee. We will update the Committee at its meeting scheduled for 30 October 2023 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2021-22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on South Oxfordshire District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Joint Audit and Governance Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit and Governance Committee meeting on 30 October 2023.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Encl

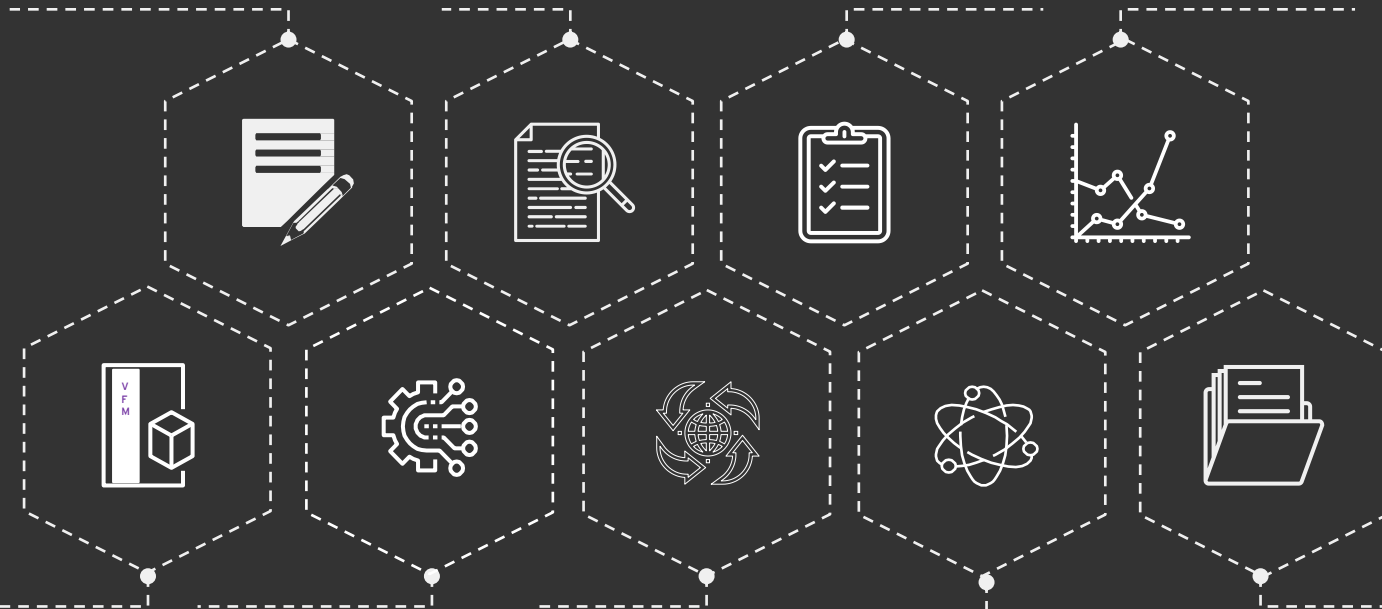
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 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 to management in April 2023 and discussed at the July 2023 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. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of our audit of the triennial valuation of pensions;
- ▶ Completion of our PPE/Investment Property work;
- ▶ One outstanding query on creditors regarding the collection fund;
- ▶ Completion of subsequent events review up to the date of signing the audit report;
- ▶ Completion of internal quality control procedures;
- ▶ Review of the final signed accounts with tie through of agreed adjustments and misstatements; and,
- ▶ Receipt of the signed management representation letter.

Subject to satisfactory completion of the outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 03. However until work is complete, further amendments may arise. We will provide an update on the status of the audits at the 30 October 2023 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 Council 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 Council a commentary against specified reporting criteria (see below) on the arrangements the Council 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 Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council 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 the Audit Plan and subsequent update to the Joint Audit and Governance Committee, we reported that we had not completed our value for money (VFM) risk assessment, however at that point we had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

The findings of our work have been set out in Section 05. We have noted that whilst the Council has a strong current level of reserves and therefore there is no significant risk to financial resilience in the short or medium term, the Council will need to ensure that it monitors its financial position and makes appropriate interventions to manage financial sustainability in the longer term.

Executive Summary

Audit differences

We have identified both corrected and uncorrected audit differences for South Oxfordshire District Council. Uncorrected differences would further reduce the deficit on provision of service by £0.3m. Further details regarding these differences have been set out in section 04.

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 30 October 2023 if we identify any issues by the time of the meeting.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors. Until we have obtained confirmation, we will be unable to provide our audit certificate. From procedures completed to date we have no issues to bring to your attention.

We have no other matters to report.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of South Oxfordshire District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Audit findings and status: Significant Risks

- Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure - Our work in this area is substantially complete. We have not identified any issues in our testing of capitalisation of revenue expenditure or testing of liabilities to date.
- Misstatements due to fraud or error - Our work to date has not identified any instance of management override of controls or indications of errors due to fraud.

Audit findings and status: Other areas of audit focus

• Valuation of land and buildings, and investment property - Our work in this area is substantially complete. Testing was delayed due to the availability of support from management's specialist.

• Pension Liability Valuation - We are concluding our work on the triennial pension liability.

Executive Summary

Areas of audit focus (continued)

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than 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 or Management.

Control observations

During the audit, we identified no significant deficiencies in internal control.

In addition, during the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls regarding the provision of data to support our audit of debtors and creditors, manual adjustments and internet transactions. These have been outlined in section 07.

Independence

Please refer to Section 08 for our update on Independence. We have no matters to bring to the attention of the Committee.



02

Areas of Audit Focus



Areas of Audit Focus

Our response to Significant risks

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.

Financial Statement impact

We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to occur through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to Property, Plant and Equipment or Revenue Expenditure Funder from Capital Under Statute (REFCUS).

What did we do?

We have used data analytics to review journals posted throughout the year for any significant and unusual movements.

We have tested a sample of transactions in relation to REFCUS using a lower threshold to ensure that transactions are correctly recorded and meet the criteria of REFCUS and have checked whether appropriate disclosures have been made.

We have reviewed the population of PPE additions to determine whether there has been significant capitalisation of expenditure.

We have tested balances reported at year-end for creditors, including accruals, and invoices/payments after year-end to determine if transactions have been reflected in the correct financial year and have been appropriately calculated.

What are our conclusions?

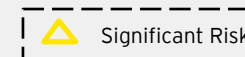
The Council reported REFCUS of £1.9 million and PPE additions of £599,000.

Our procedures did not identify any significant unusual transactions recorded by the Council in relation to PPE and REFCUS.

We did not identify any issues above our reporting threshold with our testing of REFCUS and additions.

We identified inconsistencies of £98,000 in the account with regards to how REFCUS was reported within different notes, however this was amended.

We have one query outstanding for creditors testing in relation to the collection fund liability balance reported. Provision of data for our testing of creditors was delayed as management were initially unable to provide outstanding balance reports for each account code to sample. From our testing to date, however, we have not identified any issues in our testing.





Areas of Audit Focus

Our response to Significant risks

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.

Financial Statement impact

There is a risk that management could override controls to impact any area of the financial statements.

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;
- determining an appropriate strategy to address those identified risks of fraud; and

Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments made in the preparation of the financial statements, consideration of whether accounting estimates are free from material bias and a review for significant and unusual transactions.

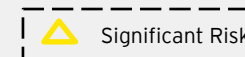
What are our conclusions?

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

We did not identify any inappropriate journal entries.

We have not identified any instances of inappropriate judgements being applied in estimates indicative of 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?

Valuation of Land and Buildings, and Investment Property

The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Councils' accounts 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.

What did we do and what were our findings?

We have:

- 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;
- reviewed the internal challenge of LSH's valuations by the Council's surveyor;
- 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;
- 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.
- reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- considered changes to useful economic lives as a result of the most recent valuation;
- tested to confirm that accounting entries have been correctly processed in the financial statements.

We have substantially completed our planned procedures with regard to this area of audit focus. Our work in this area was delayed as management were unable to provide us with supporting information underpinning the valuations. Management explained that this was due to their valuation experts having difficulty in locating the analysis that had been performed. We were able to understand some of the work through reviewing subsequent valuations completed.

We have not identified any issues to report with the valuations made by management's experts, however we have made the following observations:

- We noted one property where the yield rate used to determine the valuation was outside our expected range, however this did not lead to a significant difference in valuation.
- We noted that for the Thame Industrial Estate, one of the plots was valued differently (on the basis of rental potential) compared with the remaining plots (on the basis of current rents). This was done due to the rental agreement being shortly up for review.

At the time of writing this report, we are completing our stand back assessment of Land and Buildings and Investment Property.



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?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Councils to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.

The Councils' 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 Councils by the actuary to the County Council.

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.

What did we do and what were our findings?

Due to the timing of the financial statements, the net liability for 31 March 2022 has been updated with the valuation completed as part of the triennial valuation. This has decreased the net liability from £46.7m to £41.5m. This is mainly due to changes in demographic and experience actuarial adjustments.

We have liaised with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to South Oxfordshire District Council.

We have obtained the review completed by PwC for the National Audit Office over the triennial valuation and have obtained support from our EY Pensions experts to provide assurance over the work completed.

We have identified a number of queries on the information provided which we are discussing with management.



03 Audit Report



Audit Report

Draft 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 ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 30, and
- Collection Fund 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Council 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 AGNO1, 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 Chief Financial 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 Council'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 Chief Financial 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 Council'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 Chief Financial 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 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 18, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Council 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines 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 Chief Financial Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

The authority is responsible for putting in place proper arrangements to secure



Audit Report

Our opinion on the financial statements

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 Council 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),
- Local Government Act 2003,

- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- The Local Audit and Accountability Act 2014 (as amended), 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 Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and 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 Council'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 manipulation of reported financial performance (through improper recognition of revenue), 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



Audit Report

Our opinion on the financial statements

we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we gained an understanding of Significant Classes of Transactions and their posting into the General Ledger, used data analytics to identify unexpected movements and assessed all testing populations for significant unusual items. For exceptions identified, we have obtained sufficient appropriate evidence to confirm that transactions are appropriately authorised and accounted for. We have also performed a review of estimates for evidence of management bias.

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.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 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 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 2022.

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 (as amended) 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 - Whole of Government Accounts

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of South Oxfordshire District Council. 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 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signed]

Maria Grindley (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading



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 £921,000 which have been corrected by management that were identified during the course of our audit.

- ▶ To prepare the accounts, management are required to make manual amendments to records in the ledger to reallocate income and expenditure to the correct lines in the CIES. For pension service costs, these had been initially recorded on income account codes, however had been adjusted from the expenditure total therefore understating both income and expenditure for cost of service by £1.3 million.
- ▶ Connected with the above, within note 16 - Expenditure and income analysed by nature, pension service costs and actuarial gains and losses had been incorrectly adjusted for in the note leading to employee benefits expenses, other services expenses and fees, charges and other service income being misstated by £19.8m.
- ▶ We noted inconsistencies between the financial instrument disclosures in the draft note 8 - Financial Instruments, and underlying records for debtors and creditors totalling £2.1 million and £1.9 million respectively.
- ▶ Management identified that it had not appropriately recorded the transfers between reserves, for example New Homes Bonus, Revenue Funding and Accumulated Revenue reserves in accordance with expectations and approved budgets. This meant that an adjustment was required to be posted to the opening reserves for the year which reduced the general fund and increased earmarked reserves by £7.1 million. As a result of changes to the draft financial statements from both management review and audit findings, the initial draft general fund was reduced from £71.3 million to £48.3 million and earmarked reserves increased from -£5.4 million to £8.6 million.
- ▶ Management had initially recognised a debtor for £941,000 in relation to Community Infrastructure Levy for a case which had been subject to abatement and had been recorded as a separate application and was therefore overstated.
- ▶ IAS 17 - *Leases* requires the disclosure of the present value of future minimum lease receipts in relation to leased assets. Our analysis identified that future cashflows were understated by £5.1 million and £5.4 million in the previous and current years respectively as cashflows were discounted back to the date of inception of the lease as opposed to the reporting date.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Join Audit and Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (£'000)	OCI Debit/(Credit)	Effect on the current period: Comprehensive Income and Expenditure Statement Debit/(Credit)	Net assets (Decrease)/Increase			
			Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Known differences:						
<ul style="list-style-type: none"> During the preparation of the final versions of the account, cost centres with a total of £419k of income and expenditure had been incorrectly remapped to Finance from Policy & Programme. This has no net impact on results. 		Nil				
Judgemental differences:						
<ul style="list-style-type: none"> SODC is reimbursed for costs incurred under the 5 Council Partnership and had performed a truing up process to identify the full costs to be reimbursed. At year-end, the full amount of this reimbursement was not accrued for. 		(209)	209			
<ul style="list-style-type: none"> On debtors where the Council has debtors and creditors that are expected to be settled on a net basis, these are required to be recognised on a net basis and any bad debt provision should be also recognised on the net position. 		(134)	(305)		439	
Balance sheet totals		(343)	(96)		439	
Cumulative effect of uncorrected misstatements before turnaround effect		(343)				
Turnaround effect. See Note 1 below.		137				
Cumulative effect of uncorrected misstatements, after turnaround effect		(206)				

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period.



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.

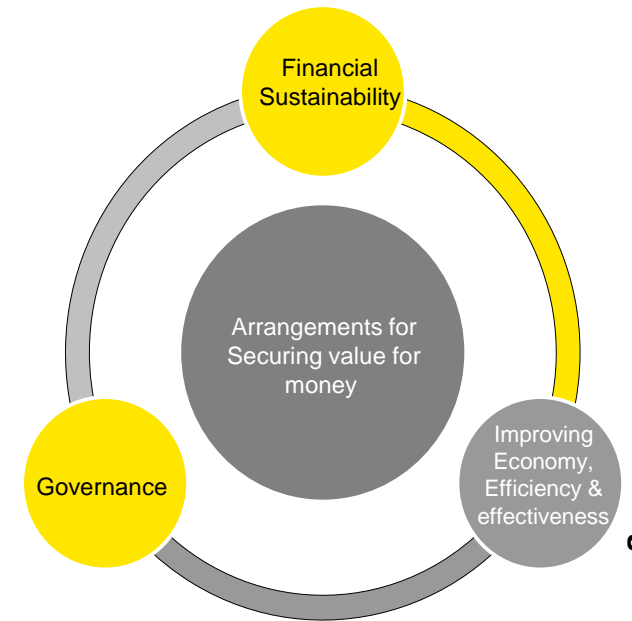
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its 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 planning report, we outlined the outcome of our initial assessment of the risk of significant weaknesses in the Council's VFM arrangements and we had not identified any significant risks.

We have since completed our VFM risk assessment and confirm that we have identified no other risk of significant weakness.

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.



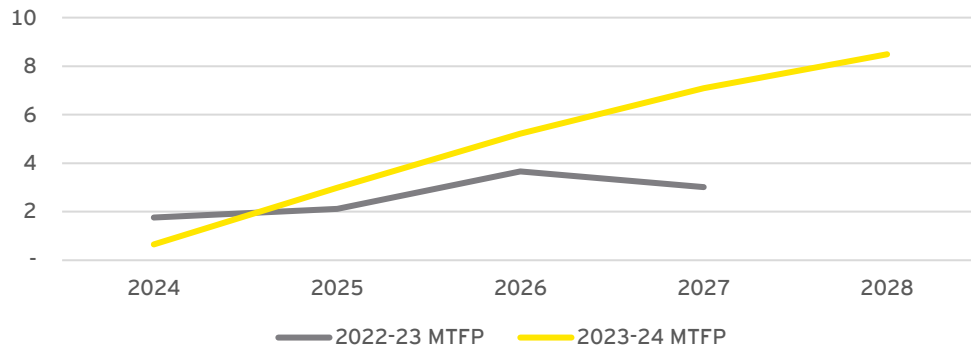
Agenda Item 6



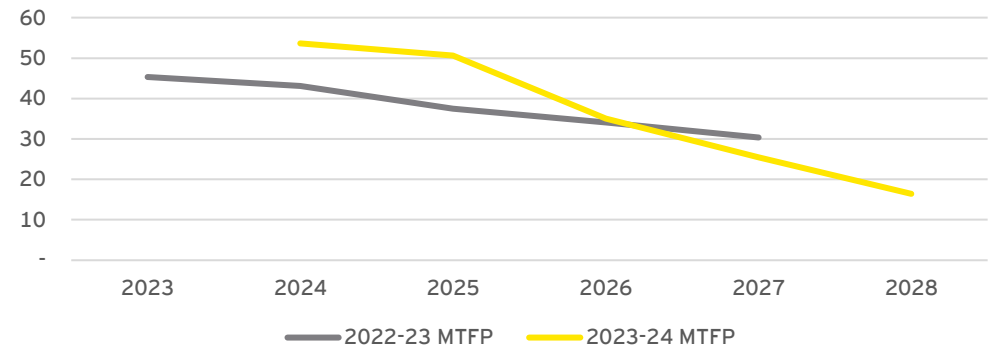
Findings

We had noted in the MTFPs published up to February 2022 that the Council had forecasted a reduction in the use of reserves as compared to previous MTFPs, down from £16.9m to £12.7m, a reduction of 25%. For the 2023/24 MTFP published in February 2023, the use of reserves had significantly increased to £16.0 million during the period of 1 April 2023 to 31 March 2027 from £10.6 million in the previous MTFP. SODC now forecast that reserves will decrease to £16.3 million in the medium term. At 31 March 2027, the forecasted position is £25.5 million, compared to £30.4 million forecasted in the previous year. At 31 March 2028, SODC is forecasting its reserves to be £16.4 million - a reduction of 69% compared with £53.6 million at 31 March 2024.

Forecast use of reserves (£m) in year to 31 March



Forecast reserves (£m) at 31 March



We have reviewed the MTFP to understand the reason for these changes. Due to inflation, cost of service is forecasted to increase by 22% over the 2023-24 MTFP period, compared with 2.5% in the previous forecast. This is compounded by a forecasted reduction in government funding of 50% over the 2023-24 MTFP period, compared with 37% in the previous forecast.

While the use of reserves enables the Council to meet its budget in the short and medium term, it is not sustainable in the long term. We have previously reported on the financial sustainability of the Council and the use of reserves by the Council, however in previous years, the situation had been improving. Given the strong current level of reserves, we are satisfied that there is no significant risk to financial resilience in the short or medium term, however the Council will need to ensure that it monitors its financial position and make appropriate interventions to manage financial 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 Statement of Accounts 2021/22 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 Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is 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.

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors. Until we have obtained confirmation, we will be unable to provide our audit certificate. From procedures completed to date we have no issues to bring to your attention.

Other reporting issues

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.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have nothing to report in this regard.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control. While we did not identify any significant deficiencies in internal control, we made the following observations in relation to management's financial processes and controls:

- **Review of manual adjustments and consistency within the financial statements** - In order to produce accounts in line with the CIFPA Code of Practice, management are required to make a number of manual adjustments to system balances, such as moving balances related to pension actuarial adjustments below the Council's surplus/deficit on Provision of Services ("below the line"). We noted a number of areas in the South Oxfordshire workbook in which these manual adjustments had not been properly performed, such as pensions adjustments and finance income. This led to classification adjustments within the analysis of income and expenditure within note 15 of approx. £20 million and increasing both expenditure and income on provision of service of £1.0 million. We also identified a number of areas which were inconsistent between primary statements and underlying notes, for example the Expenditure and Funding Analysis notes and REFCUS balances. Management should ensure that its review of workbooks supporting the financial statements includes checks of manual adjustments made to system balances to reduce the likelihood of issues arising when underlying data changes.
- **Review of models used to prepare the accounts** - As noted in our list of adjusted misstatements on page 21, we noted that there were deficiencies in the model used to calculate the minimum lease payment disclosures for the Council's finance leases. This was due to cashflows being incorrectly discounted back to the date of inception of leases, rather than the balance sheet date. This led to a prior period error of £5.1 million and of £5.4 million in the current year. We recommend that management review significant models used in the preparation of the financial statements.
- **Supporting records for debtor and creditor balances** - To perform our substantive procedures over debtor and creditor balances, we requested lists of open balances (balances not yet settled) in order to select samples. For balances such as grants received in advance and CIL, we were initially only provided lists of transactions posted through the year including opening balances, rather than outstanding balances at year-end. We were able to gain assurance over these balances after significant work by both ourselves and management. In addition to being something that is required for audit, open item listings enable management to identify specific outstanding balances without separate analysis being required to be completed.
- **Additional testing over internet transactions** - Within fees and charges recorded within Cost of Services within the CIES, South Oxfordshire has reported £1.1 million of transactions for licenses, inspections and other fees paid online by businesses and residents. Within the General Ledger, no indicators are recorded that enable transactions to be linked to related business records, such as applications. In order to gain assurance, we were required to test all similar payments recorded on the days sampled.



08

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 the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 2021 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 next page includes a summary of the fees for the year-ending 2021-22 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Joint Audit and Governance Committee.

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

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Proposed Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	37,103	37,103
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	TBD	
Scale Fee Variation - revised requirements (see note 2)	TBD	24,261
Scale Fee Variation due to one-off issues impacting the 2021/22 audit (see Note 3)	TBD	
Total audit services	TBD	61,364
Housing Benefit grant certification work (note 4)	TBD	31,500
Total non-audit services	TBD	92,864

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. The scale fee has been re-assessed to take these into account, using the same inputs.

Note 2 - In 2020/21, new VFM arrangements and revised ISA 540 (estimates) resulted in a scale fee variation. We will discuss the impact of these on our 2021/22 audit with management.

Note 3 - During the course of the audit, we were required to perform additional audit procedures as a result of the triennial pension valuation, difficulties undertaking audit procedures and identification and evaluation of misstatements.

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.

Other communications

EY Transparency Report 2022

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 2022:

[EY UK Transparency Report 2022 | EY UK](#)







09 Appendices

Appendix A

Required communications with the Joint Audit and 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 Presented to JAGC on 4 July 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report Presented to JAGC on 4 July 2023
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report Presented to JAGC on 30 October 2023





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
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"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	<p>Audit results report Presented to JAGC on 30 October 2023</p>
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Audit results report Presented to JAGC on 30 October 2023</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Audit results report Presented to JAGC on 30 October 2023</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Joint Audit and Governance Committee responsibility. 	Audit results report Presented to JAGC on 30 October 2023
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report Presented to JAGC on 30 October 2023
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit planning report Presented to JAGC on 4 July 2023 Audit results report Presented to JAGC on 30 October 2023

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ 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 ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report Presented to JAGC on 30 October 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ 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 	Audit results report Presented to JAGC on 30 October 2023

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report Presented to JAGC on 30 October 2023
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report Presented to JAGC on 30 October 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report Presented to JAGC on 30 October 2023
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report Presented to JAGC on 30 October 2023

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young,
R+ building,
2 Blagrove Street,
Reading,
RG1 1AZ,
United Kingdom

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 2022. 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 2022 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 2021/22.

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 2021/22.
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 2021/22, 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 2021/22, 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [management to set out rationale].

Management representation letter

Management Rep Letter

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange

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.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council(regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Councils 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, Cabinet and Scrutiny Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2021/22 to the most recent meeting on the following date: 12 October 2023.
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

Management representation letter

Management Rep Letter

of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We 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 2021/22.
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.
7. From 24 May 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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.

1. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
2. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 12 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 29 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, 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 the Narrative Statement and Statement of Responsibilities for the statement of accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant

Management representation letter

Management Rep Letter

to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.

I. Comparative information - corresponding financial information

1. The following balances and disclosures have been restated:

- Non-earmarked revenue reserves (Dr £7.1 million) and Earmarked revenue reserves (Cr £7.1 million) - In the prior year, the transfer of reserves between New Homes Bonus, Revenue funding and Carry Forward reserves (earmarked reserves) and the Enabling Fund (non-earmarked reserves) had not been appropriately reflected in the financial statements.
- Finance lease minimum lease payments receivable (£5.0 million) - In the prior year, the present value of future payments were discounted back to the date of inception of the lease, rather than to the balance sheet date, therefore understating future expected payments.

2. The comparative amounts have been correctly restated to reflect the above matters and appropriate note disclosure of these restatement have also been included in the current year's financial statements.

J. Ownership of Assets

1. The Council has satisfactory title to all assets appearing in the balance sheet, 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.

K. Reserves

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

L. 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 Investment Property 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.

M. Estimates

Valuation of Property, Plant and Equipment, Investment Property and Net Pension Liability estimates ("the estimates")

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic 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 significant assumptions used in making the estimates appropriately reflect our intent and ability to measure the market value of property, plant and equipment and investment property and the Council's measurement of its pension liabilities to its current and former staff members.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Management representation letter

Management Rep Letter

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements , including due to the COVID-19 pandemic.

N. 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.

O. Balances with Vale of White Horse District Council

1. The Council has recognised a creditor with the Vale of White Horse District Council for £1.0 million with respect to its share of a Capacity Fund that was approved during 2016/17. While this fund has not been spent due to delays in confirming the programme of spend, the Council fully intends to transfer this remaining amount to the Vale of White Horse District Council.

Yours faithfully,

(Chief Financial Officer)

(Co-Chair of the Joint Audit and Governance Committee)

Uncorrected differences:

	Income/ Expenditure	Current assets	Current liabilities
Errors			
Known differences:			
During the preparation of the final versions of the account, cost centres with a total of £419k of income and expenditure had been incorrectly remapped to Finance from Policy & Programme. This has no net impact on results.	Nil		
Judgemental differences:			
SODC is reimbursed for costs incurred under the 5 Council Partnership and had performed a truing up process to identify the full costs to be reimbursed. At year-end, the full amount of this reimbursement was not accrued for.	(209)	209	
On debtors where the Council has debtors and creditors that are expected to be settled on a net basis, these are required to be recognised on a net basis and any bad debt provision should be also recognised on the net position.	(134)	(305)	439
Balance sheet totals	(343)	(96)	439
Cumulative effect of uncorrected misstatements before turnaround effect	(343)		
Turnaround effect. See Note 1 below.	137		
Cumulative effect of uncorrected misstatements, after turnaround effect	(206)		

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