

Oxford City Council & Group Audit results report

Year ended 31 March 2024

February 2025

161



Building a Better
working world



Audit & Governance
Committee
Oxford City Council
Oxford Town Hall,
St Aldate's,
Oxford,
OX1 1BX

February 2025

Dear Audit & Governance Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the results of our audit of Oxford City Council and Group, which is now substantially complete.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Oxford City Council and Group (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit & governance committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 20 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. As a result of the 2021/22 and 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2021/22 and 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we have not obtained sufficient evidence to be able to conclude that the 23/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

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

Yours faithfully

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

01 Executive Summary



02 Areas of Audit Focus



03 Value for Money



04 Audit Report



05 Audit Differences



06 Assessment of Control Environment



07 Other Reporting Issues



08 Independence



09 Appendices



164

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies from 2023/24 - PSAA](#)). 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 July 2021)” 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 Audit & Governance Committee and management of Oxford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxford City 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 Audit & Governance Committee and management of Oxford City 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.



BOARDROOM

165

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 20 November 2024 Audit Completion Report to the Audit & Governance Committee, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2021/22 and 2022/23 disclaimed audit report were set out in the Short-Term and 2022/23 Audit Completion Report.

As a result of the 2021/22 and 2022/23 disclaimed audit reports, we do not have assurance over the brought forward balances from prior years (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed and those where we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances. We have not obtained sufficient and appropriate evidence to support the closing balances of Property, Plant & Equipment, Investment Properties, Grants Received in Advance and Short-Term Debtors. Lack of sufficient and appropriate evidence meant that audits previously took significantly longer than necessary, this was one of the factors that led to the backlog in the first place, and why the legislative backstop was introduced. There is insufficient time and resource available to complete the above outstanding procedures before the 2023/24 backstop date. Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We are therefore issuing a disclaimed 2023/24 audit opinion.

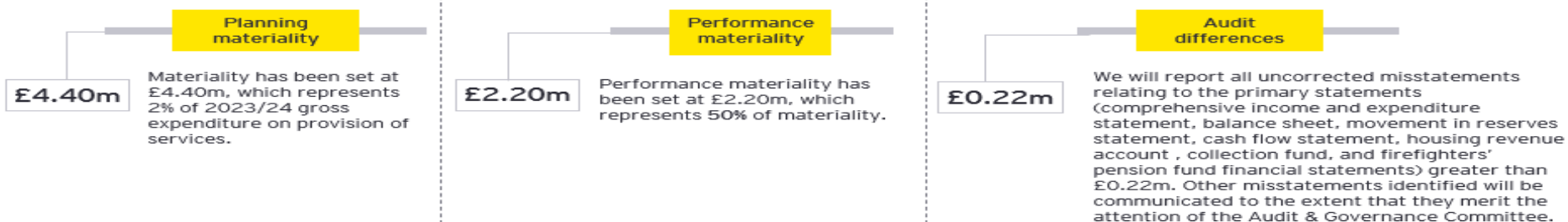
This is in line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements. We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

Executive Summary

Scope update

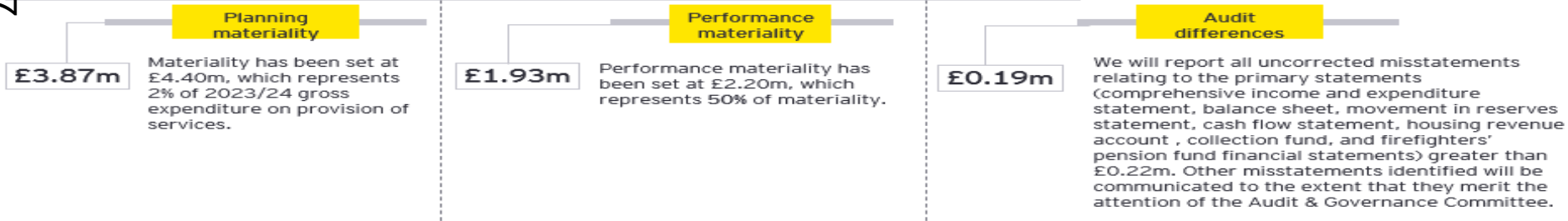
In our Audit Planning Report presented at the 29 October 2024 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. The materiality levels at which we carried out our planned work are:

Group Materiality



167

Council Materiality



Status of the audit

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

Closing procedures:

- ▶ Completion of subsequent events review to the date of our audit report;
- ▶ Receipt and final review of revised Statement of Accounts;
- ▶ Receipt of the signed management representation letter; and
- ▶ Completion of our final review and sign off procedures.

Executive Summary (cont'd)

Value for Money

In our Audit Planning Report dated 07 October 2024 presented to Audit & Governance Committee at 29 October 2024 meeting, we reported that we had not completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences

The misstatements identified are detailed below. All the misstatements noted below impacts both the Single entity and Group accounts unless otherwise stated.

> Uncorrected Audit differences

- Investment Property:

£370k overstatement of the Broad Street 23-25 asset due to incorrect inputs provided to the valuer.

£1,866k overstatement of land value relating to Ramsay House. This is a judgemental difference.

- Overstatement of income in FY 23/24. Garden waste service contracts straddle two FYs and apportioned amount relating to FY24/25 has not been accrued for and included in FY23/24. The projected misstatement amounted to £578k.

- Overstatement of 23/24 expenditure as some of the expenditure recorded related to previous financial years. The projected misstatement amounted to £308k.

- Projected misstatement amounting to £572k due to accrual has been entered for the wrong value and incorrectly as a debtor.

> Corrected Audit differences:

- A net decrease of £171k in finance and investment income due to over accrual of the investment Income

- A net increase in both Creditors and debtors amounting to £402k due to Invoice related to 24/25 was raised in 23/24 so the creditor was incorrectly reversed out however it should have been posted both to creditors and Debtors in advance.

- We noted two re-classification misstatements amounting to £743k due to incorrect classification of liability under long term assets and £904k due to incorrect classification of long term creditors as short term debtors.

- A reclassification misstatement amounting to £148k between taxation & non specific grant income capital grants to taxation & non specific grant income ringfenced.

- A reclassification misstatement amounting to £16,489k due to income incorrectly classified as expense under other operating expenditure

- A reclassification misstatement of short term debtors to Long term debtors amounting to £1,667k relating to a pension prepayment.

▶ Throughout the course of our audit, we identified small number of disclosure adjustments which has been corrected by the management.



Executive Summary (cont'd)

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 have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts which will be undertaken following the completion of the financial statements audit. The audit certificate will be issued once this work is complete.

Executive Summary (cont'd)

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 Oxford City 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 explained within the 'Areas of Audit Focus' section of this report and summarised below.

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
2	Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	Complete	We have been able to complete our procedures in relation to REFCUS but unable to complete on our procedures on PPE additions (as noted below). In the work completed we did not identify any inappropriate capitalisation of revenue expenditure.
3	Valuation of Land & Buildings	Significant risk	Complete	We have been unable to obtain sufficient supporting evidence for our sample selected for Property, Plant and Equipment valuation testing and additions testing. Therefore, we have concluded that we cannot obtain assurance over the closing balance of PPE. We have not been able to obtain sufficient supporting evidence for all of our samples selected for our testing of Investment Property valuations. We have therefore concluded that we cannot obtain assurance over the closing balance of IP. During the completion of our procedures, we identified total overstatement of Investment Property amounting to £2,237k. Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.
4	Pension Liability Valuation	Area of audit focus	Complete	During the completion of our procedures, we identified an exclusion of a pension prepayment of £3.3m from long term assets on the balance sheet. Upon further inquiries with management we noted it has already been recorded under ST debtors, however the prepayment relates to two financial years therefore half of the balance should have been recorded under LT debtors. This is a reclassification misstatement which has been corrected by the management.
5	Group Consolidation	Area of audit focus	Complete	No significant matters have been identified in the completion of our work.
6	IFRS 16- Leases	Area of audit focus	Complete	Management approach to adopting IFRS16 is appropriate.
7	Minimum Revenue Provision	Area of audit focus	Complete	No significant matters have been identified in the completion of our work.

170



Executive Summary (cont'd)

Areas of audit focus

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

- ▶ There are no 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 Audit & Governance Committee or the Board.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, 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 identified during our audit.

Please refer to Section 06 for control recommendations.

Independence

Please refer to Section 08 for our update on Independence.



12

02

Areas of Audit Focus

Areas of Audit Focus

Significant risk- Misstatements due to fraud or error*

△ Fraud Risk

What is the risk, and the key judgements and estimates?

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.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Identified fraud risks during the planning stage of the audit.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud and consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Assessed accounting estimates for evidence of management bias.
- ▶ Performed procedures to identify and evaluate the business rationale for any significant unusual transactions outside the normal course of business.

What is the status of our work?

No significant matters have been identified in the completion of our work.

We obtained the responses we requested from management, those charged with governance, monitoring officer and Internal audit and used these to inform our understanding of fraud risks. We noted the key elements of the entity level control framework that we would expect to see were in place.

- ▶ Our walkthrough testing included considering what controls are in place to address significant risks. We concluded that these are largely part year end processes including management review of the draft financial statements. We confirmed that these controls were in place, although our approach was not to rely on controls.
- ▶ We have not identified any material weaknesses in controls or evidence of material management override.
- ▶ We have not identified any instances of inappropriate judgements being applied.
- ▶ We have not identified any transactions during our audit which appeared unusual or outside of the normal course of business.
- ▶ Our work on journals testing did not identify any issues.
- ▶ Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the financial position, or that management has overridden controls.
- ▶ No significant matters have been identified in the completion of our work.

Areas of Audit Focus

Significant risk- Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

△ Fraud Risk

What is the risk, and the key judgements and estimates?

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 the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Tested Property, Plant and Equipment (PPE), Investment Property (IP) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Tested REFCUS expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We selected a sample of expenditure from Revenue Expenditure Funded from Capital Under Statute (REFCUS), to confirm it met the appropriate classification and no issues noted from the work carried out.

We have been unable to obtain sufficient supporting evidence for our sample selected for PPE additions.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

174

Areas of Audit Focus

Significant risk- Valuation of Land and Buildings

 Significant Risk

What is the risk, and the key judgements and estimates?

The value of DRC and EUV assets represents a significant balance in the Council's accounts and it is subject to revaluation changes and impairment reviews.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

175 DRC and EUV assets are subject to regular review by the valuers

Valuation of these assets involves higher risk estimates due to the significant assumptions and judgments involved in their valuation, which triggers the use of experts by management and EY (where necessary). These estimates give scope for higher inherent risk in this area of accounts therefore we have identified PPE as an area of significant risk.

What is the status of our work?

We have been unable to obtain sufficient supporting evidence for our sample selected for PPE valuations and PPE additions. Therefore, we have concluded we cannot obtain assurance over the closing balance of PPE.

We have not been able to obtain sufficient supporting evidence for all of our samples selected for our testing of Investment Property valuations. We have therefore concluded that we cannot have obtain assurance over the closing balance of IP.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the Council's valuers (Capita), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ 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, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Reviewed management assessment/challenge to the Council's valuers work
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued annually as required by the Code for IP and any significant changes notified to the valuer including changes in rental or other tenancy agreements;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team; and
- ▶ Considered changes to useful economic lives as a result of the most recent valuation
- ▶ Tested accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus

Area of audit focus: Pension Liability Valuation

What is the risk, and the key judgements and estimates?

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 the Council.

The Council's pension fund surplus is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £24 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the 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 is the status of our work?

Our procedures to respond to this area of focus are complete now.

We have received the report from the Oxfordshire County Council Pension Fund auditor in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end. There are no significant matters arising from this report.

We have also received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme. There are no significant matters arising from this report.

During the completion of our procedures, we identified an exclusion of a pension prepayment of £3.3m from the Long Term Assets on the balance sheet. Upon further inquiries with management we noted it has already been recorded under short term debtors, however the prepayment relates to two financial years therefore half of the balance should have been recorded under long term debtors. This is a reclassification misstatement which has been corrected by the management.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Liaised with the auditors of Oxfordshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council including impact of the triennial valuation
- ▶ Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Areas of Audit Focus

Area of audit focus: Group Consolidation

What is the risk, and the key judgements and estimates?

Group Consolidation (inherent risk)

The Council has a growing number of companies within the group structure three of which are wholly owned by the Council and two where the company is jointly owned. With this growth comes additional complexity and risk arising from the need to understand and implement the accounting and reporting requirements for these operations.

One of these components, Oxford Direct Services Ltd (ODSL), will be a significant component to the group based on size. Three of the entities are specific scope with material balances specific to couple of accounts: OCHL, ODSTL and Oxwed LLP.

The risk is considered inherent because these entities are significant component based on the size and risk of the subsidiary. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.

What is the status of our work?

Our procedures to respond to this area of focus are complete.

We have completed the procedures below:

- ▶ Examined the group structure and reviewed management's group boundary assessment.
- ▶ Monitored the position to identify any other components that result in a change in scope.
- ▶ Reviewing the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- ▶ Liaised with the external auditor of ODSL, ODSTL and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits. We have completed a review of their audit files. Reviewed the deliverables requested from Mazars with no material issues noted.
- ▶ Liaised with the external auditor of OxWed LLP, Wenn Townsend, asking them to undertake a programme of work in line with Group audits. We have completed our review and received the requested information with no issues noted.

No issues noted as part of completion of our procedures.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Examined the group structure and reviewed management's group boundary assessment in order to determine which elements are in scope;
- ▶ Monitored the position to identify any other components that result in a change in scope by the year end;
- ▶ Reviewed the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- ▶ Liaised with the external auditor of ODSL, ODSTL and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits.
- ▶ Liaised with the external auditor of Oxwed LLP, Wenn Townsend, asking them to undertake a programme of work in line with Group audits.

Areas of Audit Focus

Area of audit focus: IFRS 16- Leases

What is the risk, and the key judgements and estimates?

IFRS 16 Leases is being implemented in Local Government from 01 April 2024.

IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term leases. The proposals arise partly from the IASB's view that:

- disclosures around operating lease commitments have lacked prominence and tended towards understatement; and
- even in leases where the underlying asset is not acquired for its whole useful life, the lessee nevertheless acquires an economic right to its use, along with obligations to make good on minimum lease payments.

These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability.

As such, the Council is required to prepare readiness assessment disclosing known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

What is the status of our work?

Our procedures to respond to this area of focus are complete.

Based on our review of management's approach and the processes in place to adopting IFRS16 management's approach was reasonable and compliant with the CIPFA Code.

IFRS 16 - Leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. As such, Local Government bodies will need to embed the new standard into systems and processes to ensure continued compliance.

We considered any information available at the time we undertook our work after production of the Council's draft financial statements.

We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Evaluated the reasonableness assessment carried out by the Council
- ▶ Reviewed the disclosures made within the Council's financial statements in relation to IFRS 16 - Leases.
- ▶ Reviewed the disclosures made by management reflecting the anticipated impact of the adoption of the standard

Areas of Audit Focus

Area of audit focus: Minimum Revenue Provision

What is the risk, and the key judgements and estimates?

If the Minimum Revenue Provision (MRP) was understated, it would have the impact of overstating the General Fund balance and understating the capital adjustment account.

Local authorities are required to charge MRP to the General Fund in each financial year. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.

179 With significant capital investment at the Council, there is a risk that provision has not been calculated in line with CIPFA guidance and does not consider or include all relevant balances.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Obtained understanding of the MRP Policy in place at the Council with respect to both the General Fund and the Housing Revenue Account.
- ▶ Considered engaging EY's internal specialists to review the policy against CIPFA's guidance to ensure compliance, also performing procedures to gain assurance that the Council is applying the policy correctly.

What is the status of our work?

Our procedures to respond to this area of focus are complete.

We obtained understanding of the MRP Policy in place at the Council with respect to both the General Fund and the Housing Revenue Account with no issues noted. We considered engaging EY's internal specialists, but concluded based on our understanding this was not necessary for this year in order for us to complete our procedures.



180

03 Value for Money

Value for Money

The Authority'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 Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

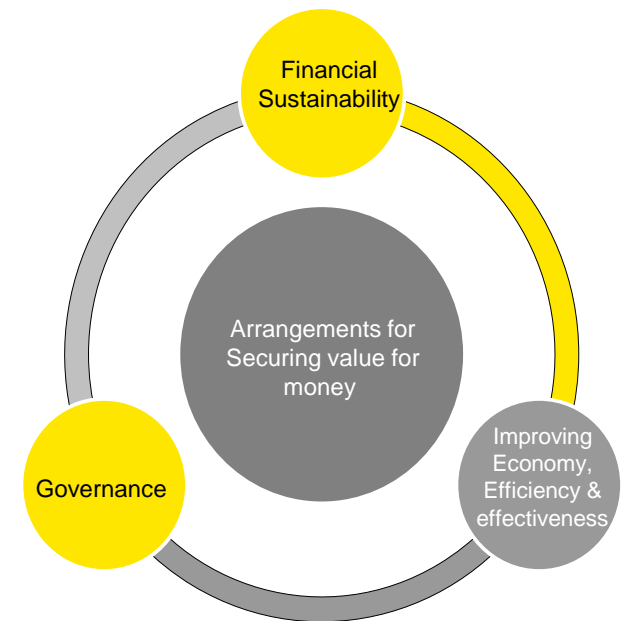
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- ▶ 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.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.





182

04 Audit Report

Audit Report

Expected modification to the audit report

As reported in our 2021/22 and 2022/23 Audit Completion Report to Those Charged with Governance (dated 20 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover Local Government audit.

As explained within this report, because of the gaps in assurance from 2021/22 and 2022/23 we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement.

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The form and content of the Audit Report will be shared with the Section 151 officer to enable the authorisation of the 2023/24 financial statements for issue.



05 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 £1,935k which have been corrected by management that were identified during the course of our audit. All the misstatements noted below impacts both the single entity and Group accounts unless otherwise stated:

- A net increase of £3,333k to Pension asset due to the IAS 19 disclosure. This relates to the unamortised value of the £5m pension prepayment.
- ▶ We also identified reclassification misstatement as noted below:
 - We noted two re-classification misstatements amounting to £743k due to incorrect classification of liability under long term assets and £904k due to incorrect classification of long term creditors as short term debtors.
 - A reclassification misstatement amounting to £148k between taxation & non specific grant income capital grants to taxation & non specific grant income ringfenced.
 - A reclassification misstatement amounting to £16,489k due to Income incorrectly classified as expense under other operating expenditure
 - A reclassification misstatement of Short term debtors to Long term debtors amounting to £1,667k relating to a pension prepayment.
- ▶ Throughout the course of our audit, we identified small number of disclosure adjustments which has been corrected by the management.

Audit Differences (cont'd)

Summary of adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. All the misstatements noted below impacts both the single entity and Group accounts unless otherwise stated. We ask that the Audit & Governance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Governance Committee and provided within the Letter of Representation:

	Effect on the current period:		Equity	Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Equity Components Debit/ (Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Uncorrected misstatements 31 March 2024 (Currency'000)							
Errors							
Factual differences:							
186 ▶ Factual error due to incorrect inputs provided to the valuer resulting in overstatement of Investment Property (Asset ref: Broad st, 23 -25)		371			(371)		
Projected differences:							
▶ Projected Overstatement of income in FY 23/24 relating to garden waste.		578		(578)			
▶ Projected Overstatement of Expenses recorded in FY23/24 relate to previous financial years.		(308)	308				
▶ Projected Overstatement due to Incorrect recording of a accrued debtor when it should be a creditor				572		(572)	
Judgemental differences:							
▶ Relating to land value of Ramsay House, resulting in overstatement of Investment Property		1,866			(1,866)		
Balance sheet totals			308	(6)	(2,237)	(572)	
Income effect of uncorrected misstatements		2,507					



187

06

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 including group-wide.

Description

Year end accounting

During the course of the year end audit we identified a number of areas where the year end accounting process can be improved:

- Self insurance provision - a timely review to provide supporting evidence to demonstrate how the balance still accurately reflects the liability
- Review of property valuations - where external valuers are used, management oversight and/or challenge to those experts is an important element of the overall control framework, which requires familiarity with the valuation methodologies being applied
- The timely allocation of cash in transit to debtors, rather than the use of a suspense account, to evidence the year end position for individual debtors' balances
- Allocation of income that relates to the following financial year through the use of deferred income account as appropriate
- The timely reconciliation of intercompany accounts between the Council and its subsidiaries

Access to documentation

As part of our year end audit we require access to the Council's underlying documentation to provide audit evidence. We noted several instances where this was not readily available for a variety of reasons, including relevant staff members having left or documentation not be made available to the finance team. The specific areas where improvement is required include:

- Account listings for I&E, debtors and creditors with sufficient detail to enable the efficient selecting of samples for audit testing
- Property valuations supporting detail including floor plans and lease agreements
- Contracts register with contract values listed
- Formal documentation of grant funding approvals

Recommendation

We recommend that management review their year end accounting processes to ensure the appropriate level of evidence, challenge and robustness to support the amounts and disclosures contained within the financial statements. We are happy to provide further detail and observations to help refine the process.

We recommend that management review their policies and procedures for the storing, accessing and providing of information in order to support an external audit. We are happy to provide further detail and observations to help with this review.

188



189

07

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 Oxford City Council Statement of Accounts 2023/24 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 Oxford City Council Statement of Accounts 2023/24 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 have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.

Other Reporting Issues (cont'd)

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 Authority'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

As notified earlier in this report we anticipate that the current year audit report may be modified with respect to opening balances and prior period comparatives within the current year financial statements. This is because of the disclaimed prior period audit report. We have no further other matters to bring to your attention.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.

192 Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - We enquired with the authority as to the relevant material IT systems that would impact the statement of accounts or the audit. - We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems. 	<p>We identified the Authority's general ledger system (Agresso) , iTrent, PARIS Income Management, Civica Open Revenue and QL as relevant material IT systems.</p> <p>Our understanding the IT processes for the authority's material IT systems did not result in any additional audit risks for the audit.</p>



193

08

Independence

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 company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence - Fees

PSAA OPTED-IN BODIES: 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.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- 195
- ▶ Officers meeting the agreed timetable of deliverables;
 - ▶ Our financial statements opinion and value for money conclusion being unqualified;
 - ▶ Appropriate quality of documentation is provided by the Council; and
 - ▶ The Council has an effective control environment
 - ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Scale fee	Prior Year
	£m	£m	£m
Total Fee - Code Work	£227,346	£227,346	Note 1
Total audit	£227,346	£227,346	0
Proposed scale fee variation 1	Note 2	N/A	0
Total other non-audit services	TBC	N/A	TBC
Total fees	TBC	£227,346	TBC

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) Following the completion of the 2023-24 work a final proposed fee will be determined. As explained in our Audit Planning Report, for 2023-24 the planned fee represents the base fee, i.e. not including any extended testing. We will estimate the impact of the additional audit procedures performed will include (i) to respond to the requirements of ISA315 (ii) to respond to the additional audit risks in relation to the IFRS 16, (iii) delays in obtaining information for PPE/IP valuations, (iv) any other areas where the audit work required was additional to the scope planned within the scale fee, for example due to lower levels of materiality and Group procedures.

All additional scale fee adjustments are subject to PSAA approval.



196

09

Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 21/22 and 22/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	None	We have not been able to complete all of our planned testing on the Property, Plant and Equipment in 2023/24. During our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV and DRC approaches. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Investment Property	None	We have completed testing of the 2023/24 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV approach. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts.
Intangible Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Heritage Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term and Short Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

197

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Short Term Debtors	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024 other than we noted £8,180,199.74 in a suspense account relating to payments received by the Council. However, as this had not been allocated to Individual debtors which we could not obtain full assurance over the net balance, due to the lack of supporting documentation available from the Council. We have therefore reduced our RAG rating over debtors to partial assurance as we can isolate this within the net debtors balance presented and all other procedures over the debtor balance have been completed.
Local Government Pension Scheme Asset	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Creditors (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Revenue Contract Liabilities	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024 other than self insurance fund provision amounting to £769k as of 31 March 2024 which is below TE, hence we have partial assurance of the provisions balance at 31 March 2024.
Grants received in advance	None	We have completed our work on the movements in Grants received in advance in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the Grants received in advance Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
All Other Disclosures (incl accounting policies, Cash flow statement and Capital Expenditure and Financing)	Partial	We expect to gain partial assurance - as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Officers Remuneration and Exit Packages including termination benefits	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund	Partial	We have completed our planned work on the Collection fund in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Housing Revenue Account	Partial	We have completed our planned testing on the Housing Revenue Account in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Group Accounts	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix B - Required communications with the Audit & Governance Committee

Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the Audit & Governance Committees 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 audit 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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
200 Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>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.</p>	Audit planning report- 07 October 2024
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025

Appendix B - Required communications with the Audit & Governance Committee (cont'd)

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"> ▶ 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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
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: <ol 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 ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025

201

Appendix B - Required communications with the Audit & Governance Committee (cont'd)

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 entity's related parties including, when applicable:</p> <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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, 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"> ▶ 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 <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report- 07 October 2024; Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
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. 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025

202

Appendix B - Required communications with the Audit & Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
System of quality management	<ul style="list-style-type: none"> ▶ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Final Audit results report- February 2025
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025
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 	Interim Audit results report- 07 January 2025 and Final Audit results report- February 2025

203

Appendix C - Accounting and regulatory update

Accounting and regulatory update (optional)

Accounting update

Since the date of our last report to the Audit & Governance Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Oxford City Council
IFRS 16 Leases	<ul style="list-style-type: none"> ▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16. ▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability. ▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement. ▶ The standard must be adopted by 1 April 2024 at the latest 	<ul style="list-style-type: none"> ▶ We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered: <ul style="list-style-type: none"> ▶ The Authority's processes to collect the required data. ▶ Whether reasonable accounting policy choices had been made. ▶ Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided. ▶ The transitional and ongoing accounting arrangements that have been established. ▶ Systems and processes to establish and distinguish between lease remeasurements and modifications. ▶ Based on this assessment we have concluded that the Authority has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.

204

Appendix D – Management representation letter

Management representation letter

Ernst & Young LLP

R+ Building
2 Blagrove St
Reading
RG1 1AZ

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Oxford City Council and Group (“the Group and Authority”) for the year ended 31 March 2024. 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 consolidated and parent Authority financial statements give a true and fair view of (or “present fairly, in all material respects,”) the Group and Authority financial position of Oxford City Council and Group as of 31 March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our consolidated and parent Authority 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, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority 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 Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have 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 2023/24 for the Group and the Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Group and Authority’s business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial

Appendix D – Management representation letter (cont'd)

Management representation letter

statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties

- Involving management, or employees who have significant roles in internal control, or others
- 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 are reflected in the consolidated and parent Authority financial statements

3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the consolidated and parent Authority financial statements.

4. We have made available to you all minutes of the meetings of the Group and Authority, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year-to the most recent meeting on the following date: [list date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority'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 consolidated and parent Authority financial statements.

6. 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 2023/24.

7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter 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 is reasonably likely to have occurred, 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 effect on the consolidated and parent Authority 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 consolidated and parent Authority 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.

E. Going Concern

1. Note ~~[X]~~ to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority'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. Other than described in Note 5 to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group ~~unrealised~~ profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

Appendix D – Management representation letter (cont'd)

Management representation letter

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement included within the financial statements and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

I. 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 consolidated and parent financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, aligned with the statements we have made in the other information or other public communications made by us.

J. Reserves

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

K. 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, investment properties, provisions and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority 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.

L. Estimates

Property, plant and equipment, investment properties, provisions and pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties, provisions and pension liability 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 valuation of property, plant and equipment, investment properties, provisions and pension liability.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties, provisions and pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting 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 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties, provisions and pension liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

M. Retirement benefits

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

Yours faithfully,

Nigel Kennedy – Group Finance Director & S151

Councillor James Fry - Chairman of the Audit & Governance Committee

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

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

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

© 2024 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

208
UK-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk