

**To:** Audit and Governance Committee  
**Date:** 28 January 2026  
**Report of:** Group Finance Director, Corporate Services  
**Title of Report:** Statement of Accounts for the Year Ending 31st March 2025

Summary and recommendations	
<b>Decision being taken:</b>	To submit the Council's draft Statement of Accounts and Letter of Representations to the Committee to obtain delegated authority for approval and authorisation.
<b>Key decision:</b>	No
<b>Cabinet Member:</b>	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
<b>Corporate Priority:</b>	Well Run Council.
<b>Policy Framework:</b>	No

**Recommendation(s):** That the Audit and Governance Committee:

1. **Approve** the latest 2024/25 Statement of Accounts as agreed by the Group Finance Director and **authorise** the Chair of the Committee to sign the Accounts incorporating any further changes arising from the ongoing audit.
2. **Agree** that a Letter of Representations for 2024/25 incorporating any statements required by the external auditor arising from the ongoing audit be signed and issued by the Group Finance Director and the Chair of the Audit & Governance Committee to enable the external auditor's opinion to be issued (paragraphs 14 to 15).

Information Exempt from Publication
None.

Appendix No.	Appendix Title	Exempt from Publication
Appendix 1	Statement of Accounts 2024/25	No
Appendix 2	Letter of Representation 2023/24 - Example	No

## **Introduction and background**

1. The Local Authority sector nationally has had a widespread backlog in finalising audits which have, in most cases, built up over time. Often this is because of an issue in a particular year which has then had a knock-on effect to future audits. For some audits the backlog has built up due to a lack of capacity in a combination of the local authorities themselves and also the auditors operating in the market. The deadlines for completion of draft Statements of Accounts and for the audit have been shortened over the years leading to limited or no contingency in the timescale. At the same time, the requirements placed on auditors, and therefore on the teams providing information to support the audit, have increased and are continuing to increase with even more stringent requirements for the 2025/26 audit expected in line with the latest International Standards on Auditing (ISA). ISAs are professional standards for the auditing of financial information issued by the International Auditing and Assurance Standards Board (IAASB). Whilst the audit requirements and the level of work needed to support audits has increased massively over the years, capacity in the Financial Accounting Team has not. This is being highlighted as an issue by the external auditors.
2. For Oxford City Council the backlog started with the delay in the finalisation of the audit of the 2020/21 statements of accounts for various reasons with the key one being the evidence around grants; this was the Covid period and grants were issued by Government with little or no documentation to support the grant at audit. The administration of the grants also led to capacity issues within the Council's Finance Team. There were then further delays in 2021/22 caused by some data issues arising from a computer system implementation. The delays in this audit had a knock-on effect on the 2022/23 accounts closedown and then the audit was halted due to the national drive to implement an audit reset.

## **Audit Trajectory**

3. The accounts, having been disclaimed, have to be audited at a more detailed level than previously due to the auditors having to rebuild their assurance over historical figures. The process to achieve this rebuilding is largely in the hands of the auditor, however the Council must be able to support the auditor requirements in order to progress the rebuilding of assurance. Consequently, the process is very much a collaborative approach between the auditors and the Council.
4. The actual progress along this path depends on the amount of work that the auditors can complete, their internal assurance methodologies, the capacity of a local authority to manage the workload required for the audit, and the availability of audit evidence.
5. The start of the audit for 2024/25 was delayed due to the impact of the cyber-attack which resulted in the Council missing the completion date which resulted in audit resources having to be redeployed and then rearranged. In order to maintain momentum on areas which the Council and the auditors believe can be moved closer to getting a clean opinion and to free up capacity, a decision was taken to halt the work on the fixed assets for the 2024/25 accounts due to this area continuing to be problematic from the perspective of audit sign-off.
6. The expectation is that the 2024/25 accounts will be disclaimed and that a disclaimed position will continue until the auditors have rebuilt assurance in all areas of the Council's accounts. The Council's external auditors are expecting to be able to identify the progress towards an unmodified (also known as unqualified) opinion using a traffic light system of red, amber and green with an unmodified opinion being where everything is green.

7. The process of rebuilding assurance will stretch over multiple years with assurance being built over different areas on a gradual basis. Clearly this takes planning and the focussing of resources from both the external auditors and the Council which spans a number of years. The Financial Reporting Council has said that “Auditors and audited bodies should work together to agree jointly owned delivery plans for each year’s audit to enable this.”

## **Fixed Assets**

8. In order to move the audit of the fixed asset area forward it is believed that the Council will need to undertake a full revaluation and to ensure that all required audit evidence can be provided by the Council. Since the valuations for the 2025/26 accounts have already been procured, the earliest opportunity for a full valuation would be for the 2026/27 accounts. Prior to this, the Council will be asking the external auditors for details of their evidence requirements so that compiling these can be built in the process in the same timeframe as the 2026/27 valuation.
9. It should be noted that a full valuation will be an increased cost in the one year and that additional budget will be required to facilitate this. There may also be further costs depending on the audit evidence requirements.

## **Changes to the Statements and Uncorrected Misstatements**

10. Often during an audit there will be a number of transactions which have not been made correctly; this is inevitable given the level of transactions the Council makes per year. Where appropriate and where the changes are agreed by Council finance staff these changes will be made to correct such entries. “Uncorrected Misstatements” is a term used by the external auditor to describe items which they believe have not been represented properly in the accounts and the council concerned has decided not to make a change. There are a number of reasons why a change may not be made including: the council does not agree with the auditor’s opinion; the change would be costly to implement (i.e. would involve external advice), or the change cannot be made within the timescale needed. Additionally in the current position where accounts are expected to be disclaimed or qualified, changes may not be made because pragmatically it is not appropriate i.e. because additional work won’t change an opinion or in order to focus resources on clearing other areas of the accounts.

11. After the production of the original draft statements which were published on the Council’s website and which were subject to public inspection, there have been some changes made to the draft accounts as follows:

- A miscoding of some temporary staff costs was identified by Council staff. This resulted in a movement of £773k from the General Fund to the HRA. This has been reflected in the statements at Appendix 1 to this report;
- The Council Tax Court Cost bad debt provision and the Rent Deposit Scheme bad debt provision have been reclassified from provisions to debtors;
- Mis-classification of £4.5 million loss on disposal of fixed assets to the income column in the presentation of the group accounts thus understating income and expenditure on that line; there was no impact to the bottom line; and
- There have also been some minor narrative and presentational changes.

12. There may be other changes required as the audit progresses and these will be reported to a future meeting of the Committee in the external auditor's Audit Results Report. The Council has, to date, not been made aware of any further mis-statements and no uncorrected mis-statements.

## **The Statement of Accounts**

13. The draft Statement of Accounts for 2024/25 is attached at Appendix 1 to this report. It should be noted that where page numbers are referenced in the document, they are coloured in red. This is to ensure that once the accounts have finished changing, the page numbers will be checked and updated and turned black. The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the Council, and the Section 151 Officer (The Group Finance Director). The Group Finance Director has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 26).
- The Core Financial Statements and Expenditure and Funding Analysis (pages 21 to 27) and supplementary statements (pages 93 to 102) and group accounts (pages 103 to 130) incorporating:
  - a. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
  - b. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
  - c. Expenditure and Funding Analysis - a statement that supports and provides more information on the Comprehensive Income and Expenditure Statement.
  - d. A Balance Sheet – a statement which records all the assets and liabilities at the Balance Sheet date of 31 March.
  - e. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
  - f. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council's 8,077 unit dwelling stock.
  - g. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors; the Oxfordshire County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.
  - h. Group Accounts - statements which reflect the Council's 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton (Barton LLP), a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford, (Oxwed LLP) and the Council's wholly owned companies, the Housing Company Group, Oxford City Housing Ltd (OCHL), Oxford Direct Services Limited (ODSL) and Oxford Direct Services Trading Limited (ODSTL). The Council's share of the assets and liabilities of these entities are required to be incorporated into the Council's accounts.
  - i. The Statement of Accounting Policies, setting out the detailed rules under which the Council accounts for its assets, liabilities, income and expenditure (pages 133 to 151).

## **Letter of Representation**

14. Every year the Council's external auditor requires a Letter of Representations to be signed alongside the Statement of Accounts. This is a standard process, and the letter just provides confirmation to the external auditor of various matters to assure the auditor that they have been presented with full information and that there aren't any matters not brought to their attention that could adversely affect the audit opinion.
15. Attached at Appendix 2 is the Letter of Representation from 2023/24 as an example of the contents of a Letter of Representation to put the contents into perspective. The Committee is asked to approve in principle the signing of a similar letter for 2024/25. This letter is from the Council's Section 151 Officer and the Chair of Audit and Governance Committee setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. The Council's external auditors, Ernst and Young, require this letter before issuing their opinion but should be signed and dated on the day that the external auditors issue their opinion.

## **Communication**

16. The Council's accounts for 2024/25 were published on the Council's website in July 2024 and were made available for public inspection. Details of how a local government elector for the area of the Council or their representative may make an appointment to ask the external auditor questions about the accounts have been published. In addition an elector or representative may object to the Council's accounts, and can ask the auditor to apply to the High Court for a declaration that an item of account is contrary to law, or to issue a report on matters which are in the public interest (a 'public interest report') under section 28 of the Local Audit and Accountability Act 2014. Written notice of a proposed objection and the grounds on which it is made must be sent to the external auditor at the address provided on the Council's website.
17. There were no objections lodged.
18. The Statement of Accounts for 2024/25 will be published on the Council's website after approval along with a notice confirming the conclusion of the audit and alongside the Annual Governance Statement for the year.

## **Financial Implications**

19. These are covered within the main body of the report.

## **Legal Implications**

20. In accordance with the Accounts and Audit Regulations 2024, the accounts for 2024/25 must be audited, approved and published by 27<sup>th</sup> February 2026. (EG 15 Jan 2026 13715).

## **Risk Implications**

21. If the accounts for 2024/25 and associated Letter of Representation are not approved and delegations provided for signing, the Council will not be able to comply with the backstop date for that financial year and would risk being named as a non-compliant council.

22. There could potentially be an impact on the Council's companies if they have to rely on the parent for any assurance on contracts. The reasons for disclaimers being issued in the local government sector have been well documented and publicised so it would be expected that an explanation of the position and the demonstration that this is a sector-wide issue which is not due to the specific failings of individual authorities would mitigate the risk to an extent.

### **Equalities Impact**

23. There are no equalities implications arising from this report.

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**Background Papers:** None