

**URGENT BUSINESS AND SUPPLEMENTARY INFORMATION****Accounts, Audit and Risk Committee****16 March 2022**

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
13.	(Pages 3 - 54)	Final 2020/21 Audit Results Report – Appendix 1	Strategic Business Partner	Appendix being finalised at time of agenda publication

If you need any further information about the meeting please contact Sharon Hickson, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221554

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Cherwell District
Council & Group
Final Audit results
report

Year ended 31 March 2021

3 March 2022

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3 March 2022



Cherwell District Council
Bodicote House
Bodicote
OX15 4AA

Dear Accounts, Audit and Risk Committee Members

2020-21 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Accounts, Audit and Risk Committee. The audit is substantially complete and we will update the Accounts, Audit and Risk Committee at its meeting scheduled for 16 March 2022 to explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020-21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cherwell District Council & Group's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

We welcome the opportunity to discuss the contents of this report with you at the Accounts, Audit and Risk Committee meeting on 16 March 2022.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Accounts, Audit and Risk Committee and management of Cherwell District Council & Group in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Accounts, Audit and Risk Committee, and management of Cherwell District Council & Group 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 Accounts, Audit and Risk Committee and management of Cherwell District Council & Group for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

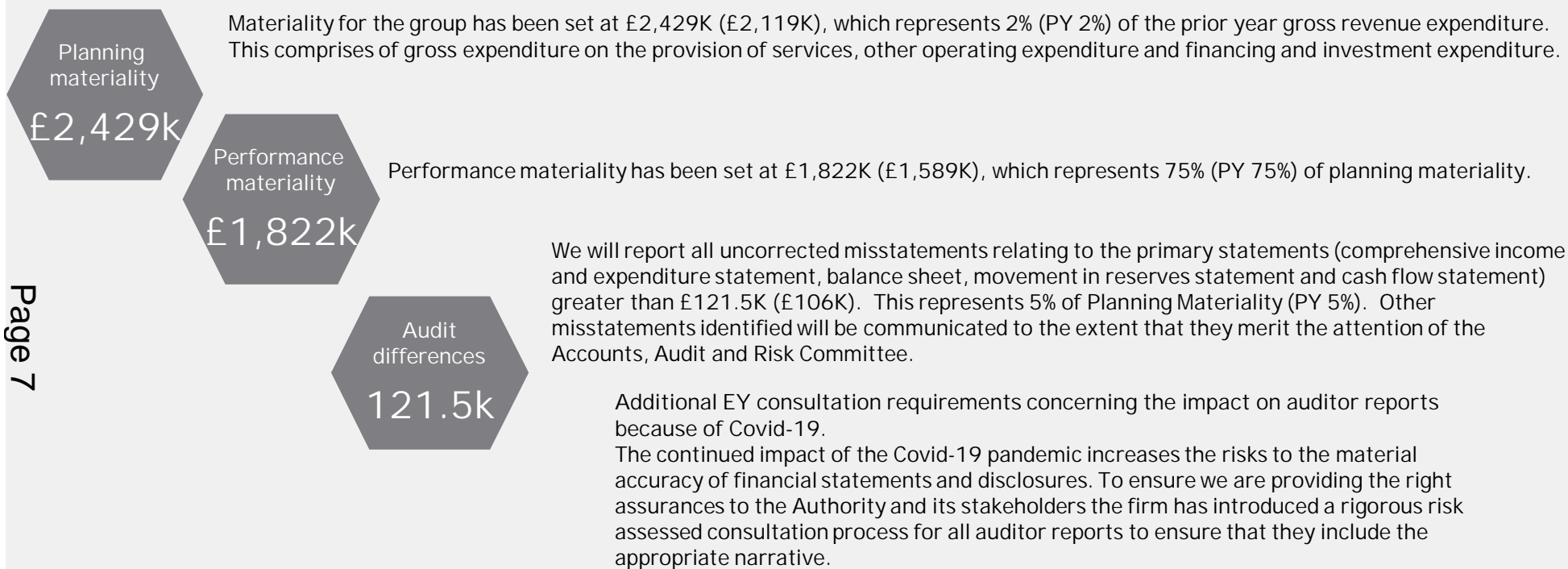


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Executive Summary

Overview of our 2020/21 audit strategy

Scope update on materiality. We calculated materiality at the planning stage using the 2019-20 financial statements (see figures in brackets) but as we performed a single-visit audit, we have updated it using figures from the draft 2020-21 statements.





Executive summary

Scope Update

Changes to reporting timescales

As a result of COVID-19 new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but have an impact on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

We used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

We agreed IPE to scanned documents or other system screenshots.

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Status of the audit

Our audit work on the Council and Group opinion is substantially complete.

Details of each outstanding item, actions required to resolve, and responsibility are included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion

Executive summary

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Page 99 Status of the audit – Value for Money

We have previously reported to the Committee the changes in the arrangements to the VFM commentary for 2020/21. We have completed our risk assessment work to assess the Council against the three sub-criteria and are not reporting any significant weaknesses in arrangements. We will provide an update at the March Accounts, Audit and Risk Committee meeting on our final conclusions. We will include the full VFM commentary in our Auditor's Annual Report.



Executive summary

Audit differences

At the date of this report, Council staff had identified two corrected audit misstatements greater than our reporting threshold of £1.8m. These are:

- £3.3m on the Expenditure and Funding Analysis for the impact of prior year amendments on PPE valuation to ensure consistency with disclosure in note 5
- £3.738m amendment between short-term and long-term NNDR Appeals provision

We found several uncorrected misstatements which we need to report to you as they are above the £121.5K reporting level, which are listed in section 4.

There were several presentational and disclosure amendments which we have identified and have been corrected by management.

See Section 4 of this report for further details of the misstatements.

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 findings to report.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. Officers are still awaiting the final guidance supporting the WGA submission for 2020-21. This work will be completed at the end of the audit and we will provide an update on WGA at the March 2022 Accounts, Audit and Risk Committee meeting.

We have no other matters to report.



Executive summary

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 Cherwell District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

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

- there are no residual further considerations or matters that could impact these issues;
- you concur with the resolution of the issue; and
- 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 Accounts, Audit and Risk Committee or management.

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Control observations

We did not identify any significant deficiencies in internal control.

Independence

In our Audit Plan presented to this Committee we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.

Executive summary

Significant Risks and Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error	We have found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	We have found no instances of incorrect capitalisation of revenue expenditure.
Valuation of land and buildings	We have received the final report from our valuation specialists and confirm that they identified no significant concerns or amendments in their findings. There were no issues arising from the work of our own team. However we note that Council officers identified valuation issues in the prior year as a result of reviewing the fixed asset register for 2020-21. These have been amended.
Other area of audit focus	Findings & conclusions
Accounting for Covid-19 related Grant Expenditure	We highlighted the treatment of each grant as agent or principal, and compared it with the wider benchmarking exercise across our clients, consulting our technical team to conclude on any outliers. No issues arise as a result of our queries.
Pension liability	We have agreed the Authority's pension liability disclosures to the actuarial report and have completed our review of our pensions advisory team's review of work carried out by PwC (Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors). We received the IAS19 assurance letter from the auditor of Oxfordshire Pension Fund.
Going concern	The draft accounts included a detailed disclosure on going concern. We received management's assessment of going concern along with details of financial modelling and forecasts prepared by the Council. There were no issues arising from our work in this area.
Group Boundary Assessment and Consideration of Subsidiary Entities	We reviewed the work done by Critchleys on Crown House and the Graven Hill companies and the consolidation into the Council's Group financial statements. There were no issues arising from our work in this area.



02 Areas of Audit Focus



Areas of audit focus

Significant risk

Incorrect capitalisation of revenue expenditure

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What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. 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.

For Cherwell District Council, we consider this risk to be associated with the cost of sales charged to the profit and loss account by the Council's wholly owned subsidiary company, Graven Hill Village Development Company Limited

We have also considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Authority's capital programme.

What judgements did we focus on?

How management decides on appropriate capitalisation of revenue expenditure, including consideration of REFCUS.

What did we do?

We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We did not identify any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

We reviewed the detailed testing performed by Critchleys on sales at GHVDCL.

We focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.

Our testing of capital additions is complete and did not identify any instances where expenditure had been inappropriately capitalised.



Areas of audit focus

Significant risk

Risk of error in the valuation of land and buildings

What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £162.5 million and are subject to valuation changes, impairment reviews and depreciation charges. The Council also has material balances on Investment Property at £45.3 million which are also subject to annual valuations.

In calculating amounts recorded in the Authority's balance sheet, management are required to make material judgements and apply estimation techniques.

What judgements did we focus on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets – such as assets which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as the management's expert.

We have considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.

What are our conclusions?

We:

- considered the competence, capability and objectivity of the Council's valuers;
- considered the scope of the valuers' work;
- ensured land & building assets have been revalued within a 5 year rolling programme as required by the Code;
- ensured Investment Property assets had been annually revalued as required by the Code;
- considered if there were any specific changes to assets that should have been communicated to the valuer(s);
- ensured that it was appropriate that no disclosure needed to be made in the accounts in relation to any valuation uncertainty;

We noted no issues from the above procedures.

On the following page we detail the procedures we undertook to address the Significant Risk.



Areas of audit focus

Significant risk (cont'd)

Risk of error in the valuation of land and buildings - continued

What are our conclusions?

Our work in this area included:

- Page 16
- testing a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct;
 - sample testing key inputs used by the valuer(s) when producing valuations;
 - considering the results of the valuers' work;
 - challenging the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
 - testing journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
 - reviewing assets not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
 - extending the sample of valuations considered by our EY valuation specialists concentrating on assets where we think valuations are more likely to be impacted by C-19 related market volatility;
 - reviewing specifically any changes to approach to valuations as previously discussed and highlighted in 2019/20

We identified no issues as a result of our work. However we note that as a result of updating the 2020-21 fixed asset register, Council officers identified valuation errors in the previous year in assets which were not in the audit sample.



Areas of audit focus

Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
<p><u>New central government grants and other Covid-19 funding streams.</u></p> <p>Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.</p> <p>The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> • An Agent, where it has determined that it is acting as an intermediary; or • A Principal, where the Council has determined that it is acting on its own behalf. <p>We highlighted the treatment of each grant as agent or principal, and comparing it with the wider benchmarking exercise across our clients, and consulting our technical team to conclude on any outliers. We raised a few points of clarification with officers, but our queries concluded satisfactorily.</p>
<p><u>Valuation of defined benefit pension scheme</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £144.4 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.</p> <p>We are required to undertake procedures on the use of the use of the actuary as management's expert and the assumptions underlying fair value estimates.</p>	<p>We have agreed the Authority's pension liability disclosures to the actuarial report and have completed our review of our pensions advisory team's review of work carried out by PwC (Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors). We received the IAS19 assurance letter from the auditor of Oxfordshire Pension Fund.</p> <p>The assets held by the Pension Fund were revalued after the financial statements were drafted. Cherwell DC's share of this revaluation impact was £495,000 which meant that the Council's pension assets were understated by this amount. The Council did not amend for this, so we have reported as an unadjusted misstatement.</p>

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Areas of audit focus

Other areas of audit focus (continued)

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

What is the risk/area of focus?

Disclosures on Going Concern

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources.

There remains a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the significant risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What did we do?

We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We discussed the detailed implications of the revised auditing standard with finance staff and considered the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure.

We received management's assessment of the Council's going concern basis of preparation of accounts and have concluded that we have no issues.



Areas of audit focus

Other areas of audit focus (continued)

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

What is the risk/area of focus?	What did we do?
<p><u>Group Structure</u></p> <p>Group Boundary Assessment</p> <p>The Council now has three wholly owned subsidiary companies and also holds an interest in a joint company with South Northamptonshire Council to process housing benefit claims across both Councils from June 2018.</p> <p>As in previous years, our work in this area is not contained with the assumptions used by Public Sector Audit Appointments Limited (PSAA Ltd) in setting the Council's audit fee. We have included an estimate of the likely additional fee in relation to this matter; this is reflected in Appendix A of this report.</p> <p>The risk is considered inherent because these entities are significant component based on the size 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.</p>	<p>We reviewed the work done by Critchleys on Crown House and the Graven Hill companies</p> <p>We have:</p> <ul style="list-style-type: none"> • Examined the group structure and determined which elements are in scope; and • Monitored the position to identify any other components that might move into scope by the year end however we have no further changes to report. <p>We also:</p> <ul style="list-style-type: none"> • 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 Crown House and the Graven Hill companies, Critchleys, asking them to undertake a programme of work in line with Group audits. We have reviewed this to ensure that we can rely on the work performed, and have no issues arising as a result.



03 Audit Report



Audit Report

Draft audit report 20-21

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHERWELL DISTRICT COUNCIL

Opinion

We have audited the financial statements of Cherwell District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014.

The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- the Expenditure and Funding Analysis
- Collection Fund and
- the related notes 1 to 39 of the Authority Financial Statements, notes 1 to 4 of the Collection Fund, and notes 1 to 3 of the Group Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cherwell District Council and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the S151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Narrative Statement set out on pages 5 to 24, other than the financial statements and our auditor's report thereon. The S151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



Audit Report

Draft audit report 20-21

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the S151 Officer

As explained more fully in the Statement of the S151 Officer's Responsibilities set out on page 24, the S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the S151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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



Draft audit report 20-21

Our opinion on the financial statements

- frameworks that are applicable to Cherwell District Council and determined that the most significant are:
 - Local Government Act 1972,
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
 - Business Rate Supplements Act 2009,
 - The Local Government Finance Act 2012,
 - The Local Audit and Accountability Act 2014, and
 - The Accounts and Audit Regulations 2015.

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

We understood how Cherwell District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance, and the monitoring officer; and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and other information.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- We assessed the susceptibility of Cherwell District Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Authority's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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



Audit Report

Draft audit report 20-21

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Cherwell District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cherwell District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice.

Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Cherwell District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

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

Use of our report

This report is made solely to the members of Cherwell District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
Xx March 2022*



04 Audit Differences





Audit Differences

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

Summary of adjusted and unadjusted differences

Council staff had identified two audit misstatements greater than our reporting threshold of £1.8m. These are:

- £3.3m on the Expenditure and Funding Analysis for the impact of prior year amendments on PPE valuation to ensure consistency with disclosure in note 5
- £3.738m amendment between short-term and long-term NNDR Appeals provision.

There are several uncorrected misstatements greater than our reporting threshold for uncorrected mis-statements of £121.5K:

- £341K shared ownership income wrongly classified
- £296K debtor shown in error as a debit within creditors
- £533K short-term debtor which should be long-term debtor
- £495K representing Cherwell DC's share of an error in valuing the Pension Fund assets
- £126K s.106 grant income recognised but could not be supported
- £1,203K re valuation of Banbury multi-storey carpark, which was wrongly classified as investment property rather than property, plant and equipment.
- In our work on operating leases, we found an error in our initial sample. The Council found three further examples with the same formula error. These errors have been amended. However when we extended the sample in accordance with our methodology, we found a further two errors which the Council chose not to amend. We therefore extrapolated from our work to establish what the overall impact might be. The extrapolation figure was £1,364K, which is below performance materiality of £1,822K. We therefore have assurance that the impact is unlikely to be material. The Council has reviewed its lease database but it should consider doing so again

There were several presentational and disclosure amendments which we have identified and have been corrected by management.



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 and unadjusted differences

There were three prior year adjustments made as a result of the audit:

1. Asset valuation. The Sunshine Community Centre was valued in 2019-20 at £2.1m but the assets register was not updated. Also the Kingsmere Sports Centre and Kingsmere Community Centre are two separate assets but were shown as single asset in the register, one with a nil value. Valuing separately has increased the asset value. Because there was a material understatement of approximately £5.4m they have been restated. Related to this, revaluation gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2019-20 were incorrectly accounted for. Gains and losses were included in other investment income and expenditure, rather than the individual service lines. The amount of £10.8m is material, so the prior year CIES has been restated. As there is no impact on the net surplus or deficit on services the other core statements do not require restatement.
2. During 2020/21 an extensive review of S106 balances was undertaken. The review led to reclassification of balances held as either for revenue or capital purposes and further analysed them between current and long-term liabilities. The impact is only on the balance sheet.
3. Issues with mapping to cost centres identified that Net Interest on the Net Defined Benefit Pension Liability had incorrectly been included as gross income in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement (CIES). It should have been included as gross expenditure. Both gross income and gross expenditure were therefore understated, but the net expenditure is unaffected and there is no impact on the Surplus or Deficit on the provision of services. As the amount was material in 2019-20, with a value of £2.402m, this has been treated as a prior year adjustment with the CIES being restated to correct this error. As the net impact is nil, it is shown in the restated CIES as an increase of both gross expenditure and gross income in the financing and investment income and expenditure line. No other primary statements are affected.



05

Value for Money



Value for money

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

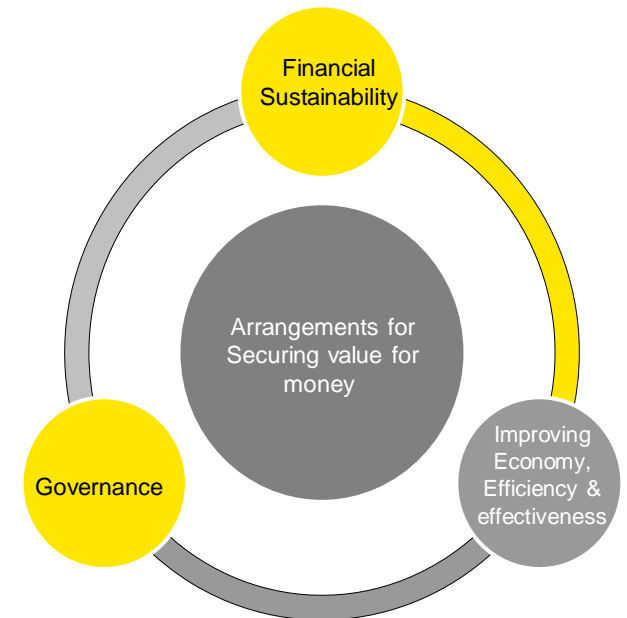
The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21.

We have completed our risk assessment work to assess the Council against the three sub-criteria and are not reporting any significant weaknesses in arrangements. We will provide an update at the March Accounts, Audit and Risk Committee meeting on our final conclusions. We will include the full VFM commentary in our Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

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

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

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

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

We have reviewed the Annual Governance Statement, and have no issues to report.

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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 are currently awaiting the guidance in relation to this work and will report on progress to the Accounts, Audit and Risk Committee at the March Committee meeting.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [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;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

At the date of this report we have nothing that we need to bring to the attention of the Accounts, Audit and Risk Committee in respect of Other Matters.



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide or at components.

There were three areas that we wish to draw to your attention which we encountered during our substantive testing.

1. Operating leases: we found an error in our initial sample. As a result, the Council found three further examples with the same formula error. These errors have been amended. However when we extended the sample in accordance with our methodology, we found a further two errors which the Council chose not to amend. We therefore extrapolated from our work to establish what the overall impact might be. The extrapolation figure was £1,364K, which is below performance materiality of £1,822K. We therefore have assurance that the impact is unlikely to be material. The Council has reviewed its lease database but it should consider doing so again.
2. S.106 grants. It was difficult for us to gain enough assurance on the grants in our sample, and this required a lot of input from Council officers. We eventually established the position for all but three grants in our sample. Extrapolation gave a figure below the level at which we are required to report to you, but overall the historic records held by the Council were scattered and inconsistent. Work has begun to improve the record-keeping as it affects s.106 grants.
3. We also noted in our s.106 work a case where s.106 money had been passported to Banbury Town Council. In this case, there was a side agreement confirming that the Council shall not be obliged to "return monies passed on to persons/ bodies other than the District Council", but it was not known whether any other moneys had been passported in the same way. It is theoretically possible that there would be financial implications for the Council if the developer should request the return of unspent money in such cases, if the Council had not accounted for it. The Council's legal team believes that it is common to include clauses such as the one above which they believe covers the potential risk.



08 Data Analytics



Management Override of Controls

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements did we focus on?

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override. We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We had no issues arising from our work in this area.

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Data Analytics

Journal Entry Data Insights

Cherwell District Council 31 March 2021

The graphic outlined below summarises the journal population for 2020/21. We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions included in our data subset.

EY Helix - GLASS: Journal Entry Data Insights - 21 Cherwell District Council - 31/03/2021

Facts and Figures	Manual v System by Volume	Manual v System by Value	Top Five Preparers																																				
Number of Journals Posted: 11,501 Average Number of Journals Posted per Day: 33 Average Number of Lines per Journal: 0	<p>System (29.2%) Manual (70.8%)</p>	<p>System (55.9%) Manual (44.1%)</p>	<table border="1"> <tr><td>Civica User</td><td>9,722</td></tr> <tr><td>Wheeler, Kelly</td><td>343</td></tr> <tr><td>Aman Mohammed</td><td>281</td></tr> <tr><td>Linda Richards</td><td>184</td></tr> <tr><td>Rebecca Shewry</td><td>178</td></tr> </table>	Civica User	9,722	Wheeler, Kelly	343	Aman Mohammed	281	Linda Richards	184	Rebecca Shewry	178																										
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	Top Five Activity Accounts <table border="1"> <tr><td>E. Trade receivables_8_Short Term Debtors</td><td>8,792</td></tr> <tr><td>N. Trade payables_11_Short Term Creditors Current</td><td>6,066</td></tr> <tr><td>VG1. Operating Expenditure_2 Other expenditure</td><td>5,119</td></tr> <tr><td>UA Revenue_11 Fees, charges and other service income</td><td>2,400</td></tr> <tr><td>C. Cash and short_term deposits_9_Cash and Cash Equivalents</td><td>1,314</td></tr> </table>	E. Trade receivables_8_Short Term Debtors	8,792	N. Trade payables_11_Short Term Creditors Current	6,066	VG1. Operating Expenditure_2 Other expenditure	5,119	UA Revenue_11 Fees, charges and other service income	2,400	C. Cash and short_term deposits_9_Cash and Cash Equivalents	1,314	Bottom Five Activity Accounts <table border="1"> <tr><td>L. Intangible assets, including goodwill_3_Intangible Assets</td><td>2</td></tr> <tr><td>T. Equity_Accumulated Absence</td><td>2</td></tr> <tr><td>UA Revenue_33 Income from Loans and Borrowings</td><td>2</td></tr> <tr><td>Q. Non_current loans and borrowings, including</td><td>1</td></tr> <tr><td>T. Equity_Deferred Capital Receipts</td><td>1</td></tr> <tr><td>VG1. Operating Expenditure_5 Depreciation, Depletion and Amortisation</td><td>1</td></tr> </table>	L. Intangible assets, including goodwill_3_Intangible Assets	2	T. Equity_Accumulated Absence	2	UA Revenue_33 Income from Loans and Borrowings	2	Q. Non_current loans and borrowings, including	1	T. Equity_Deferred Capital Receipts	1	VG1. Operating Expenditure_5 Depreciation, Depletion and Amortisation	1	Bottom Five Preparers <table border="1"> <tr><td>Iriana Annunziata</td><td>2</td></tr> <tr><td>Jonathan Mayo</td><td>2</td></tr> <tr><td>Leanne Lock</td><td>2</td></tr> <tr><td>Karen Dickson</td><td>1</td></tr> <tr><td>Nana Boadu</td><td>1</td></tr> <tr><td>Paul Golsby</td><td>1</td></tr> <tr><td>Sophie Hawes</td><td>1</td></tr> </table>	Iriana Annunziata	2	Jonathan Mayo	2	Leanne Lock	2	Karen Dickson	1	Nana Boadu	1	Paul Golsby	1	Sophie Hawes	1
E. Trade receivables_8_Short Term Debtors	8,792																																						
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Paul Golsby	1																																						
Sophie Hawes	1																																						
Operational Efficiencies Manual Journals Posted at weekend: 77 Manual journals where gross amount is < £5: 58 Journal lines with zero value: 0	Days of the Week <table border="1"> <tr><th>Day</th><th>Volume</th></tr> <tr><td>Mon</td><td>~2,100</td></tr> <tr><td>Tue</td><td>~2,100</td></tr> <tr><td>Wed</td><td>~2,100</td></tr> <tr><td>Thu</td><td>~1,900</td></tr> <tr><td>Fri</td><td>~1,900</td></tr> <tr><td>Sat</td><td>~300</td></tr> <tr><td>Sun</td><td>~100</td></tr> </table>	Day	Volume	Mon	~2,100	Tue	~2,100	Wed	~2,100	Thu	~1,900	Fri	~1,900	Sat	~300	Sun	~100																						
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Fri	~1,900																																						
Sat	~300																																						
Sun	~100																																						

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09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

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

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Accounts, Audit and Risk Committee.

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.

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 April 2021.

We have complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Accounts, Audit and Risk Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Accounts, Audit and Risk Committee on 16 March 2022.

We confirm we do not plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We will apply the necessary safeguards in our completion of this work should we be required to complete any.

Independence

Fees

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

	Planned fee 2020/21	Final Fee 2019/20
	£	£
Base Audit Fee – Code work (See Note 1)	40,138	40,138
Increase to scale fee due to in year issues and additional professional and regulatory requirements including – Covid-19 and Going Concern considerations, addressing significant risk on RPE valuation and VFM conclusion (Note 1)	TBC	50,807
Total audit fees	TBC	90,945
Grant review work – Housing Benefits	TBC	29,070
Total fees	TBC	120,015

Note 1:

The additional fee has been discussed with management and determined by PSAA Ltd.

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts 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.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Other communications

EY Transparency Report 2020

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

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

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






10 Appendices





Appendix A

Required communications with the Accounts, Audit and Risk Committee





There are certain communications that we must provide to the Accounts, Audit and Risk 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 Accounts, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit planning report	

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <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 	Draft Audit results report Final Audit results report
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 	Draft Audit results report Final Audit results report
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Accounts, Audit and Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Draft Audit results report Final Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Accounts, Audit and Risk 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 • Any other matters related to fraud, relevant to Accounts, Audit and Risk Committee responsibility. 	Draft Audit results report Final Audit results report

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • 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>Draft Audit results report</p> <p>Final Audit results report</p>
Page 45	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Accounts, Audit and Risk Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Draft Audit results report</p> <p>Final Audit results report</p>

Appendix A

		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 	<p>Draft Audit results report</p> <p>Final Audit results report</p>
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. 	<p>Draft Audit results report</p> <p>Final Audit results report</p>
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 Accounts, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Accounts, Audit and Risk Committee may be aware of 	<p>Draft Audit results report</p> <p>Final Audit results report</p>
Group Audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	<p>Draft Audit results report</p> <p>Final Audit results report</p>




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report Final Audit results report
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 	Draft Audit results report Final Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report Final Audit results report
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 	Draft Audit results report Final Audit results report
Value for Money Commentary	The outcome of our review on the Council's arrangements in place in relation to value for money in three key areas: <ul style="list-style-type: none"> Financial sustainability Governance; Achieving economy, efficiency and effectiveness 	Auditor's Annual Report

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve, updated 	Responsibility 
All Accounts	EY to complete review of all accounts subject to testing including internal review. Now done	EY and management
Annual Governance Statement (AGS) 20-21	EY to review the AGS to ensure that it is consistent with the Council and the Group. Now done	EY and management
Statement of Accounts 20-21	Review of the Annual Report and associated support for disclosures E.g. Incorporation of EY review comments on disclosure notes Now done	EY and management
Going concern review and disclosures	Management to provide an updated Going Concern assessment and supporting documentation EY central review process and finalisation of disclosures and opinion wording Now done	EY and management
Group Reporting from component auditors	As outlined in the body of this report we are required to consider the findings of the component auditors. Now done	EY and component auditors
Journals Testing	EY to complete journals testing. Now done	
Management representation letter	Receipt of signed management representation letter	Management and Accounts, Audit and Risk Committee
Significant Risks and Other Areas of Focus	Completion of the work detailed in the Significant Risks and Other Areas of Focus included within this report Now done	EY, management, internal and external specialists
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

Draft Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young
FAO: Maria Grindley
EY
Apex Plaza
Forbury Rd
Reading
RG1 1YE

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This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Cherwell District Council and Group ("the Council and Group") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council and group financial statements give a true and fair view of the Council and Group financial position of Cherwell District Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council and group financial statements. We believe the Council and Group financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council and Group financial statements are appropriately described in the Council and Group financial statements.
4. As members of management of the Council and Group, we believe that the Council and Group 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 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no uncorrected misstatements pertaining to the current period.

Management representation letter

Management Rep Letter (cont.)

- B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible for determining that the Council's and Group's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the Council and Group financial statements may be materially misstated as a result of fraud.
 4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council and Group (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's and Group's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's and Group's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

- C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council and consolidated financial statements, including those related to the COVID-19 pandemic.
 3. We have made available to you all minutes of the meetings of the Council and committees (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 22 September 2021.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's and Group'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 year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council and the consolidated financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter (cont.)

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 council 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 litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. Other than those described in Note X to the council and the consolidated financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Other information

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

H. Going Concern

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

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council and Group has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's or Group's assets, nor has any asset been pledged as collateral. All assets to which the Council and Group has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the council and consolidated financial statements.

J. Reserves

1. We have properly recorded or disclosed in the council and consolidated 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 asset valuations and net pension liability valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council 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. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council and the Group.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the council and consolidated financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council and Group.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

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,



Head of Finance

Chair of the Accounts, Audit and Risk Committee

Progress report on implementation of IFRS 16 Leases

In previous reports to the Accounts, Audit and Risk Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 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. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises the actions necessary to implement the adoption of IFRS 16 from 1 April 2022:

IFRS 16 theme	Summary of key measures  
Data collection	Management should have: <ul style="list-style-type: none"> • Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. • Classified all such leases into low value; short-term; peppercorn; portfolio and individual leases • Identified, collected, logged and checked all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The council need to agree on certain policy choices. In particular: <ul style="list-style-type: none"> • Will [the council adopt a portfolio approach? • Has the low value threshold been set and agreed with auditors? • Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components? • What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

About EY

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ED None

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