

Cherwell District Council

Audit results report for the year ended 31 March 2014

September 2014

Ernst & Young LLP



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11 September 2014

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Dear Members

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Accounts Audit and Risk Committee. This report summarises our preliminary audit conclusion in relation to Cherwell District Council (Council) financial position and results of operations for the year ended 31 March 2014. We will issue our final conclusion after the Accounts, Audit and Risk Committee scheduled for 17 September 2014.

The audit is designed to express an opinion on the 2013-14 financial statements, reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and, where applicable, significant deficiencies in internal control.

This report is intended solely for the information and use of the Accounts, Audit and Risk Committee and the Council. 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 scheduled on 17 September 2014.

Yours faithfully

.For and on behalf of Ernst & Young LLP

Mike West
Director
Ernst & Young LLP
United Kingdom
Enc

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the chief officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ Undertaking any other work specified by the Audit Commission

We also report to the National Audit Office (NAO) under its group instructions

Summarised below are the conclusions from all elements of our work:

Financial statements

Our work is substantially complete. Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Council's financial statements. We did not identify any significant risks in our Audit Plan. A significant risk is an identified assessed risk of material misstatement that, in an auditor's judgement, requires special audit consideration. However In line with auditing standards we now identify management override as a general significant risk.

We identified one other financial statement risk in our Audit Plan. Since issuing the Audit Plan with we have identified a further other financial statement risk in respect of the provision for NDR appeals.

Significant risks:

Risk of Management Override: Audit findings and conclusions

- ▶ We have obtained assurance that the risk of management override of controls has been mitigated.
-

Other financial statement risks:

Implementation of new payroll system : Audit findings and conclusions

- ▶ Based on our work we are satisfied that the Council put in place adequate controls over the migration of data and that payroll costs are not materially misstated.
-

NDR appeals provision: Audit findings and conclusions

- ▶ The Council has applied reasonable estimation techniques in determining the amount of provision to include in its accounts.
-

Control themes and observations

Our audit identified the following control issues that we are bringing to your attention.

-
- | | |
|---|---|
| <p>▶ Update on previous recommendations</p> | <p>IT General Control – Our recommendations to improve logical access controls have been implemented.</p> |
|---|---|
-

Summary of audit differences

Our audit identified a number of misstatements in the financial statements presented for audit which management has corrected.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

We have completed the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts. We have no issues to report.

Audit certificate

We expect to issue the audit certificate at the same time as the audit opinion.

2. Scope update

Our 2013-14 audit work has been undertaken in accordance with the Audit Plan that we issued on the 8 January 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk and areas of audit emphasis outlined in our Audit Plan. Our main findings are set out below.

Significant risk – Risk of Management Override

Description and conclusion

Description

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We:

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for any significant unusual transactions; for example material movements on reserves and revaluation adjustments.

Conclusion

We found that journal entry controls were in place and operating effectively and adequate explanations were provided by management for material adjustments made in preparation of the financial statement. Our review of accounting estimates did not reveal evidence of management bias and business rationales were provided in support of significant transactions.

Other financial statement risk – Implementation of new payroll system

Description and conclusion

Description

The Council transferred its payroll system from Chris 21 to Resource Link as from 1 October 2013. We sought assurance that as part of the implementation process the Council managed the migration of data effectively to prevent errors and the material misstatement in payroll costs.

Conclusion

Based on our work we are satisfied that the Council put in place adequate controls over the migration of data and payroll costs are not materially misstated.

Partly because of issues associated with the new payroll implementation, management did not carry out year-end establishment checks (introduced in 2012-13 for the first time) to confirm existence and payroll details of Council employees. We were unable to rely on management controls to provide assurances over completeness of the payroll and the accuracy of payroll data which required us to carry out additional substantive procedures.

Our audit testing was satisfactory and did not identify any errors or matters that we need to draw to your attention.

Other financial statement risk – NDR appeals provision

Description and conclusion

Description

The Business Rates Retention Scheme came into force on 1 April 2013. Where local businesses believe the current rateable value for business properties is wrong they can appeal. Where rating appeals are successful, monies to settle appeals will come out of the Council's collection fund reducing the rate income shared by the Council with the CLG and County Council. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the Valuation Office Agency (VOA), authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds. The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

Conclusion

We have assessed the reasonableness of the Council's methodology in estimating the provision in respect of rateable value appeals at the balance sheet date.

This involved consideration of both the completeness and accuracy of the data on the number of appeals and the basis for the assumptions made by the Council on the likelihood of success.

We are satisfied that the Council has applied reasonable estimation techniques in determining the amount of provision to include in its accounts.

3.1 Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the financial reporting process. I have no other matters to bring to your attention.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that Cherwell District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the audited body has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the audited body is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas or areas of focus presented to you in our Audit Plan. We identified one significant risk. This is a risk that would require specific risk-based work to ensure we can issue a safe value for money conclusion. We identified two further key areas that we have considered to support our value for money conclusion.

Since issuing the Audit Plan with we have identified a further key area in respect of the Council's transformation plans.

Significant risk: Management of the Capital Programme

Impacts arrangements for securing
- Economy, efficiency and effectiveness
- Financial resilience

Risk

The Council manages a substantial capital programme, planned at some £17.9m for 2013-14 (actual out-turn £7.5m).

Within the programme there are a number of large capital schemes, of which those centring on Bicester regeneration rank as the most significant. This regeneration programme involves the acquisition of MOD land at Graven Hill.

The Council's plans are complex and innovative, requiring a high level of skills and expertise.

Failure to deliver these projects on time and within budget risks the loss of economic benefit and a failure to secure value for money.

Our work involved an assessment of the Council's arrangements to manage its capital resources, comprising:

- Overall management of the capital programme
- Arrangements established to manage the acquisition of MOD land at Graven Hill and delivery of the wider Bicester regeneration

Key findings

Capital programme

The Council has adequate arrangements to ensure that capital bids are properly evaluated prior to approval. Evaluation uses a scoring matrix and the fact that the Council has unallocated capital resources means that decisions on capital spending are determined by need and are not as a rule subject to the imposition of financial limits or quotas.

This will change with Graven Hill and the related Bicester developments as available capital

resources are utilised and the Council becomes reliant on borrowing to fund its future capital programme. The Council is aware of the implication for capital resource allocation decisions in the future.

We are satisfied that the Council has arrangements to monitor the progress of capital schemes in terms of potential slippage. Slippage in 2013/14 was considerable (£8.0m net of underspends) due to a range of external factors; the largest single component being the delayed commencement of work on the Bicester Town Centre Phase 2 development (£3.0m).

Cost over-runs are not large but where they occur are managed effectively.

There is close member involvement in the approval and challenge of the capital programme. More recently the effectiveness of member challenge and scrutiny of delivery of capital schemes has been enhanced through greater member focus and better quality information. This is positive, given the changing financial landscape with greater dependence on borrowing in the future and the need to ensure that scarce capital resources are utilised effectively.

Bicester Regeneration

The Council has a clear and well-articulated vision for the development of Bicester and the agenda is wide and multi-faceted involving different developers and stakeholders.

The Town Centre Development was delivered under budget and with good outcomes. The Council is to prepare a lessons learned paper so that future projects can benefit from the good practice identified.

The Bicester Town Centre Phase 2 Development has experienced slippage but this is being managed and management are confident that it will soon be back on track.

The acquisition of Graven Hill represents a significant investment opportunity for the Council and is a highly ambitious and far reaching initiative. After a period of negotiations with the vendor; consultation and the completion of a necessary due diligence process the Council has acquired the Graven Hill site and is committed to its subsequent development.

The Council is to act as strategic developer through a 100% owned Company Limited by Share. The Council has sought external legal advice and is using Localism Act powers for this purpose. Details of the delivery vehicle and governance structures were considered by the Executive Committee at its meeting on the 1 September 2014.

Looking more specifically at the governance arrangements in relation to Graven Hill we are satisfied that the Council has put in place adequate arrangements to oversee the initiation and delivery of the project. Governance structures have been created which include close member engagement. The Council has a dedicated in-house team but where skills or capacity have been lacking, external consultancy support has been purchased, including legal, financial and procurement expertise.

The Graven Hill project at the present time is proceeding to plan and self-evaluation and assurance processes have been established or are proposed.

In terms of the wider Bicester Regeneration programme the Council has put in place adequate arrangements to provide strategic oversight and management of the related projects. The capacity of its Regeneration and Housing Development Team is to be increased by additional recruitment.

Other risks/areas of focus: Management of finances

Impacts arrangements for securing:

- Financial resilience

Key findings:

The Council overspent against its original budget by £250,000 due largely to the higher costs of waste and recycling resulting from unforeseen changes to the terms of the existing waste management contract. Otherwise, the Council's performance was largely in line with budget projections.

The net budget shortfall was after transfers to reserves and was funded from general fund balances.

The Council set a prudent budget for 2014-15 but has a widening budget gap over the medium term. Its financial forecast shows that its general fund balance and available reserves will be exhausted by 2017-18 if no corrective action is taken. This is a serious and worrying position that the Council has recognised it must address.

The Council's medium term financial strategy presented to the Executive in July 2014 recognises the challenges ahead but does not identify how this gap is to be closed. The view of your Chief Financial Officer is that the Council's budget strategy needs to change fundamentally and to feed into the detailed budget process for 2015-16 and beyond.

The medium term financial strategy does not yet detail exactly how this will be done but we agree that there needs to be a change in the Council's budget plans if the significant forecast deficit is to be avoided.

We understand that in part that management is planning a series of member-focused workshops over the autumn to consider options for closing the forecast budget gap.

Identifying new income streams through for example the phased release of the New Homes Bonus and additional NDR income is likely to be central component although there are likely to be savings as a result of further transformational change for which the Council has yet to budget.

The problem is that at present there are no firm costed plans that set out the financial direction of the Council.

There is much that needs to be done on the part of management and members to further develop the Council's financial plans and there may be many tough decisions facing members still to be made.

The Council should ensure that medium term financial plans to address the budget gap are developed and agreed as a priority.

Other risks/areas of focus: Delivery of services

Impacts arrangements for securing:

- financial resilience
 - economy, efficiency and effectiveness
-

Key findings:

Joint procurement

Planned efficiency savings from the 2013-14 budgets were delivered in full.

In addition the Joint Procurement Team received national recognition in the Government Opportunities Collaborative Procurement Initiative of the Year Award.

Audit Commission Profiles

We have identified two areas, waste management (above average costs) and income and charges (income from sales fees and charges low compared with nearest neighbours) which we have raised with management for further investigation as potential areas of opportunity.

Otherwise our review of the AC profiles has not identified any indicators of significant value for money opportunities that we believe management should be but is not exploiting.

Transformational plans

Although the Council's transformational plans are progressing rapidly, the Council and its prospective partners are proceeding in a measured and methodical way. Preparations are in line with good practice. The option appraisal is being undertaken with the support of external advisors and members are engaged in the process.

It is premature to comment on due diligence checks and governance proposals but we

have received officer assurance that proper checks and balances will be applied at each critical stage of the process; involving external and independent appraisal.

Project resources are in place and communications between the three Councils (South Northamptonshire, Cherwell and Stratford upon Avon) have been established which management consider are working effectively.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

We have no current year observations to report to you.

5.1 Status of previous year's recommendations

Description	Impact
IT General Control - We identified opportunities for improvements to logical access controls which would reduce the risk of unauthorised or inappropriate access to data and programmes within Agresso.	Recommendation have been implemented

6. Status of our work

6.1 Financial statement audit

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

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at Accounts, Audit and Risk Committee on 17 September 2014	Management and Accounts, Audit and Risk Committee
Audit of accounts	Awaiting revised financial statements to check agreed audit adjustments	Management, Accounts Audit and Risk Committee and EY
	Agreement of accounting entries for the unwinding of Castle Quay operating lease	Management, Accounts Audit and Risk Committee and EY
	Awaiting IAS 19 letters of assurance from Pension Fund auditors	EY
	One outstanding investment confirmation awaited.	Management and EY
	Awaiting evidence of authorisation for transfer of £438k from Eco Town Reserve at year end	Management and EY
	WGA final procedures	Management and EY

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

We have received no objections to the 2013-14 accounts from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2013-14	Planned fee 2013-14	Scale fee 2013-14	Explanation of variance
Audit Fee – Code work	£68,603	£68,603	£68,603	
Certification of claims and returns	In progress	£13,400	£13,400	
Non-audit work (provide details)	None undertaken			

Our actual fee is in line with the agreed planned fee and the Audit Commission scale fee.

Our work on the certification of the housing benefits claim is in progress and we will keep the Audit Committee informed about progress and fee variations.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual 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.

Our audit identified a number of errors and changes to disclosure notes which we have highlighted to management for amendment. These have included:

All of these have been adjusted during the course of our work.

We have included all amounts greater than £1.6million relating to the Council in our summary of misstatements below.

We highlight in particular the following misstatements identified during the course of our audit that have been corrected by management.

- ▶ £4.4m error in the revaluation of Pioneer Square Retail Units understating their valuation and overstating impairments charged to the Revaluation Reserve.
- ▶ £13.4m overstatement of investment properties (Castle Quay shopping centre) and misstatement of related transactions in the CIES; the capital accounts and entries in Note 8.36.1. Disposal of Castle Quay shopping centre does not meet the requirements of an operating lease and needs to be reclassified and accounted for as a finance lease.
- ▶ £7.0m error in the figure for Income from Council Tax disclosed in the Collection Fund due the Council Tax reduction scheme element (£7.0m) being accounted for separately as Council Tax Benefit Contribution.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our 8 January 2014 Audit Plan. We complied with the Auditing Practice's Board's Ethical Standards for Auditors and the requirements of the Standing Guidance and 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 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 17 September 2014.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the audit committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit	Audit results report
<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 ▶ Findings and issues regarding the opening balance on initial audits 	
Misstatements	Audit results report
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	
Fraud	Letter to the Chairman of the Accounts Audit and Risk Committee and to the Director of Resources dated 26 March and 10 April 2014
<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	No issues to report
Related parties	Audit Results report
Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	No matters to report
<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 	
External confirmations	No matters to report
<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 	

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>Letter to the Chairman of the Accounts Audit and Risk Committee and to the Director of Resources dated 26 March and 10 April 2014</p> <p>No matters to report</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's 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>Audit Plan and update in section 8 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Letter to the Chairman of the Accounts Audit and Risk Committee and to the Director of Resources dated 26 March and 10 April 2014</p> <p>No matters to report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Group audits</p> <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>Not applicable</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued January 2014</p>

Appendix B Letter of representation

Ernst & Young
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This representation letter is provided in connection with your audit of the financial statements of Cherwell District Council ("the Council") for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Cherwell District Council as of 31 March 2014 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), 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 (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements

D. 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 as agreed in terms of the audit engagement.
- Additional information that you have requested from us for the purpose of the audit and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements

3. We have made available to you all minutes of the meetings of the Council, the Executive and the Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

- Council:
- Executive:
- Accounts Audit and Risk Committee:

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 8.38 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 8.3 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H 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.

Representations required in specific circumstances

Ownership of Assets

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

Reserves

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

Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the valuation of assets and pension fund liabilities and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts 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 experts.

Yours faithfully,

Chief Financial Officer and Director of Resources

I confirm that this letter has been discussed and agreed at the Audit Committee on 17 September 2013

Chairman of the Accounts Audit and Risk Committee

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