Cherwell District Council & Group
Audit Results Report

Year ended 31 March 2022

March 2024

EY

Building a better working world

7 March 2024

Cherwell District Council
Bodicote House
Bodicote
OX15 4AA

Dear Accounts, Audit and Risk Committee Members

2021-22 Audit results report

Note that updates to this report since the version presented to the JIAC at the meeting in December are highlighted in blue text for ease of review

We are pleased to attach our audit results report for the forthcoming meeting of the Accounts, Audit and Risk Committee. This report summarises our audit conclusion in relation to the audit of Cherwell District Council & Group for 2021/22.

We have completed our audit of Cherwell District Council & Group for the year ended 31 March 2022.

The audit is designed to express an opinion on the 2021-22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on 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. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the 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.

Yours faithfully

Maria Grindley

Partner
For and on behalf of Ernst & Young LLP
Encl

Contents

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.psaa.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.

01 Executive Summary

Executive summary

Scope Update

In our Audit Plan presented at the 28 September 2022 Accounts, Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

We have kept materiality for the group at £2,810k (PY £2,429k), which represents 2% (PY 2%) of the gross revenue expenditure in the draft statement of accounts. Performance materiality used was £1,405k (PY £1,822k) which represents 50% (PY 75%) of materiality. In this report we will include all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £141k (PY £121.5k). This represents 5% of planning materiality (PY 5%).

Changes to reporting timescales

As a result of COVID-19 new regulations, the Accounts and Audit (Amendment) Regulations 2022 No 708, have been published and came into force on 22 July 2022. This announced a change to publication date for final, audited accounts from 30 September to 30 November 2022 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.

Executive Summary

Status of the audit

We have completed the audit of Cherwell District Council & Group financial statements for the year ended 31 March 2022 and have performed the procedures outlined in our Audit Planning Report.

We have issued an unqualified opinion on the Council & Group's financial statements in the form which appears at Section 3.

Prior year adjustments

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

1. Investment properties £39,871k – Property, plant and equipment assets had been incorrectly classified as Investment properties.
2. Short term creditors £6,789k - Some balances had been classified as 'Trade Payables' but should have been 'Other Payable Amounts'.
3. Financial Instruments - a. Provisions were being disclosed in the financial instruments table, but provisions fall outside the scope of IFRS 9.
   b. Non-financial debtors and creditors had been disclosed in the fair value tables but again fall outside the scope of IFRS 9.
   c. Some short-term payables and receivables had been incorrectly classified as non-financial, and so should be included in the financial instrument tables.
4. Minimum Revenue Provision (MRP) £5,344k – The MRP had been calculated using a 50 year asset life for all assets rather than taking into account the different lives of asset.
5. Property, plant and equipment £3,950k – Banbury Bus Station had been valued as if there was a building on the site.

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

See Section 4 of this report for further details.

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.

Status of the audit – Value for Money

As part of our planning we completed our value for money (VFM) risk assessment and did not identify any risks of significant weakness against the three reporting criteria we are required to consider under the NAO’s 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor’s report (see Section 03). We will issue the VFM commentary as part of issuing the Auditor’s Annual Report.

Executive summary

Audit differences

At the date of this report, we highlight the following misstatements greater than our reporting threshold of £1.4m. Further detail on these can be found in section 04 of this report.

Corrected adjustments include:

- £5,330k correction of the pension liability figure to reflect the changes in the valuation brought about by the 2022 triennial valuation
- £2,532k correction of understatement minimum revenue provision, following a correction to the straight line method.
- £1,011k mis-classification of bank overdraft, cash and equivalents and liabilities understated.
- £3,988k mis-classification of Covid Additional Relief Fund, was posted to debtors instead of creditors.
- £55,918k mis-classification of property, was posted to investment property instead of property, plant and equipment.
- £434k understatement in the valuation of Kingsmere Community Centre.
- £4,230k overstatement in the value of Banbury bus station.
- £393k understatement in the valuation of car parks.
- £109k mis-classification of income, was posted to creditors instead of income.

Uncorrected adjustments include:

Factual misstatement - £272k – Non-loan intercompany balances between Graven Hill Village Development Company Ltd and Graven Hill Village Management Company Block E Ltd had been omitted in the Group accounts.

Judgmental misstatement - £162k overstatement of the bad debt provision based on Council's methodology.

Projected misstatement - £346k – Two errors totalling £5,077 were identified in our testing of S106 Grants received in advance, which when extrapolated over the population came to a projected error of £346k.

Reclassification misstatement - £465k – Two items totalling £465k were classified as S106 Grants received in advance, but did not meet recognition criteria and should have been classified as income.

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

The main ones were:

Note 32 – Leases – operating leases authority as lessor

Note 17 – Financial instruments

Note 36 – Contingent liabilities

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

Executive summary

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 performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission, but have not issued our assurance statement to the NAO. Although the Council is below the threshold set by the NAO, we cannot currently conclude on WGA work until the NAO confirms if they would like any additional procedures performed. This will delay our issuing of the audit certificate. 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.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error – Management override

We have not identified any material misstatements arising from fraud in revenue and expenditure recognition and management override.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure

Our testing of capital additions has not identified any instances where expenditure had been inappropriately capitalised.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error - Inappropriate recognition of Other Income – rental income

We did not find any issues in this area and can conclude there were no material misstatements of rental income.

Audit findings and conclusions: Significant risk – Valuation of Land and Buildings and Investment Property

There were some reclassification misstatements where properties had been incorrectly classified as investment properties when they should have been classified as property, plant and equipment. There were two instances where the Fixed Asset Register, and the general ledger, had not been updated per the valuation reports in error. The financial statements have been amended to reflect these errors. We are now satisfied that the valuation of PPE and IP is materially fairly stated.

Audit findings and conclusions: Significant risk – Valuation of Infrastructure Assets

We have not identified any material misstatements

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.

Executive summary

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.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

What judgements are we focused 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:

- Identified fraud risks during the planning stages.
- Enquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- Reviewed accounting estimates for evidence of management bias.
- Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Council in a more positive or more favourable way.

What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied or management bias.

We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.

Significant risk

Inappropriate capitalisation of revenue expenditure due to fraud or error

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.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

What judgements are we focused on?

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

What did we do?

We sample tested property, plant and equipment (PPE) additions, and REFCUS, to ensure that the expenditure incurred and capitalised was clearly capital in nature or appropriate to be treated as REFCUS.

We sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What are our conclusions?

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

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 did not identify any instances where expenditure had been inappropriately capitalised.

Significant risk

Inappropriate revenue recognition of Other Income - rental income

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Councils have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Any deficit outturn against the budget is not a desirable outcome for Cherwell District Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.

In our judgement the risk of manipulation of these revenue streams lies in other income, specifically rental income, as this is reliant on the information produced by Cherwell District Council which are accepted and the requested payments are made to the Council.

What judgements are we focused on?

We focus on whether revenue is being inappropriately recognised.

If this were to happen it would have the impact of overstating revenue.

What did we do?

For rental income we have:

- ► Lowered our testing threshold to satisfy ourselves that other rental income stated is materially correct.
- ► We have reviewed the rental income in the financial statements and looked at the rates charged compared to the Council's policy/contracts of rates to charge.

We have utilised our data analytics capabilities to assist with our work, including journal entry testing. We have also assessed journal entries more generally for evidence of management bias and evaluated them for business rationale.

What are our conclusions?

Our testing of rental income agreed the rates set in the Council's policy/contract to the rental income recorded in the financial statements.

We did not find any issues in this area and can conclude there were no material misstatements of rental income.

Significant risk

Valuation of Land and Buildings - Property, Plant and Equipment (PPE) and Investment Property (IP)

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Covid-19 pandemic remains ongoing and the related physical restrictions on movement are likely to have an impact on the ability of the Valuer to physically inspect the Trust's buildings.

The significant risk is therefore specific to the valuation assertion.

What judgements are we focused 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.

Significant risk (cont'd)

Risk of error in the valuation of Land and Buildings - Property, Plant and Equipment (PPE) and Investment Property (IP)

- continued

What are our conclusions?

Our work in this area included:

- 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 2021/22 to confirm the remaining asset base is not materially misstated;
- sample of valuations considered by our EY valuation specialists;
- reviewing specifically any changes to approach to valuations.

There was a reclassification misstatement where £51.75m in properties had been incorrectly classified as investment properties when they should have been classified as property, plant and equipment.

There were two instances where the Fixed Asset Register, and the general ledger, had not been updated per the valuation reports in error. This led to an overstatement in property, plant and equipment and an understatement of the revaluation reserve.

The financial statements have been amended to reflect these adjustments.

We are now satisfied that the valuation of PPE and IP is materially fairly stated.

Significant risks

Valuation of Infrastructure Assets

What is the risk?

There is a National issue being considered by CIPFA with regards the fact that some local authorities are not compliant with the Code requirements in relation to Infrastructure Assets. The issue is that they are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.
Asset registers do not tend to record infrastructure capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation. So, it is challenging to identify the cost and accumulated depreciation balances that need to be derecognised.
Cherwell District Council have material infrastructure assets within their balance sheet, so there is a risk of these being materially mis-stated.

The significant risk is therefore specific to the valuation assertion.

What judgements are we focused on?

We focused on how management decides on the appropriate valuation of infrastructure assets.

What did we do?

We have:

► Discussed the procedures applied by the Council to ensure infrastructure capital spend is recognised in accordance with the Code; and

► Obtained evidence to match the infrastructure subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.

What are our conclusions?

We have completed our work in this area and it is subject to final review.

We have not identified any issues from the procedures carried out.

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?	What are our conclusions?
<u>Pension Liability Valuation</u> 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 Pension Fund. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £95.7m. The draft 21/22 financial statements show a figure of £76.8m. The remeasurement of the net defined liability is shown as £26.7m in the draft 21/22 financial statements, compared to £23.5m in the prior year. The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf. 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. In addition, the triennial actuarial valuation was produced for 2022 and we need to review this as additional information and consider any impact on the figures in the financial statements.	We have: ‣ Liaised with the auditors of Oxfordshire Pension Fund, for assurances over the information supplied to the actuary in relation to Cherwell District Council; ‣ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ‣ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's actuarial model; ‣ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements for IAS19; and ‣ Following the conclusion of the 2022 triennial valuation exercise and the publication of the 2022 triennial actuarial valuation report for Oxfordshire Pension Fund we reviewed the revised actuarial reports and, again, engaged EY pensions specialists to assess the reasonableness of the updated calculations. ‣ Reviewed and tested the accounting entries and disclosures made within the council's financial statements following the updates made as a result of the 2022 triennial valuation report.	We obtained satisfactory assurances over the information supplied to the actuary in relation to Cherwell District Council. We concluded the work and assumptions used by Hymans Robertson were reasonable. Our EY Pensions consultancy team concluded that the Pension Fund actuary's liability calculations were reasonable. The accounting entries and disclosures had mainly been carried out correctly. Some of the disclosure notes regarding pensions needed amending to reflect the figures shown in the actuarial reports. The review of the pension figures following the 2022 triennial actuarial valuation report identified a decrease in the closing present value of liabilities of £3.2m and a £2.1m change to the closing fair value of pension assets. The resulting net change is an increase of £5.3m in Pension Liabilities and corresponding unusable reserves in the balance sheet. The financial statements were amended to reflect this. After the above amendments had been made, there were no material misstatements of the pension liability.

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?
<u>New central government grants and other Covid-19 funding streams.</u> 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 distribute to other bodies. The Council needs to review each of these grants 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. Where the decision is that the Council is a principal, it also must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2021/22.	We considered the Council's judgement on material grants received in relation to whether it is acting as: • 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. We did not find any issues in this area and can conclude there were no material misstatements of government grants and other Covid-19 funding streams.
<u>Group Boundary Assessment</u> The Council now has wholly owned subsidiary companies. These entities are significant components based on the size. 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.	We have: ▸ 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. We are in the process of completing the procedures below; ▸ Review the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice; ▸ Liaising 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.

03 Audit Report

Draft audit report 21-22

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

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 37.
- Collection Fund and the related notes 1 to 4 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Cherwell District Council and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council 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 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 Group and Council's ability to continue as a going concern for a period of at least 12 months 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 Council's ability to continue as a going concern.

Draft audit report 21-22

Our opinion on the financial statements (cont'd)

Other information

The other information comprises the information included in the Narrative Statement out on pages 6 to 23, 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.

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 Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and
- Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Draft audit report 21-22

Our opinion on the financial statements (cont'd)

Responsibility of the S151 Officer

As explained more fully in the Statement of the S151 Officer's Responsibilities set out on page 26, the S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009 ,
- The Local Government Finance Act 2012 ,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

Draft audit report 21-22

Our opinion on the financial statements (cont'd)

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

We understood how 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 Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we [tested the Group and the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we 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.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the 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 the 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 2022.

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

Draft audit report 21-22

Our opinion on the financial statements (cont'd)

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Cherwell District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

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 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
Date

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

At the date of this report,

Corrected adjustments include:

- £5,330k correction of the pension liability figure to reflect the changes in the valuation brought about by the 2022 triennial valuation
- £2,532k correction of understatement minimum revenue provision, following a correction to the straight line method.
- £1,011k mis-classification of bank overdraft, cash and equivalents and liabilities understated.
- £3,988k mis-classification of Covid Additional Relief Fund, was posted to debtors instead of creditors.
- £55,918k mis-classification of property, was posted to investment property instead of property, plant and equipment .
- £434k understatement in the valuation of Kingsmere Community Centre
- £4,230k overstatement in the value of Banbury bus station
- £393k understatement in the valuation of carparks
- £109k mis-classification of income, was posted to creditors instead of income.

Uncorrected adjustments include:

Factual misstatement - £272k – Non-loan intercompany balances between Graven Hill Village Development Company Ltd and Graven Hill Village Management Company Block E Ltd had been omitted in the Group accounts.

Judgmental misstatement - £162k overstatement of the bad debt provision based on Council's methodology.

Projected misstatement - £346k – Two errors totalling £5,077 were identified in our testing of S106 Grants received in advance, which when extrapolated over the population came to a projected error of £346k

Reclassification misstatement - £465k – Two items totalling £465k were classified as S106 Grants received in advance, but did not meet recognition criteria and should have been classified as income.

There were several presentational and disclosure amendments which we have identified and have been corrected by management.
The main ones were Note 32 – Leases – operating leases authority as lessor, Note 17 – Financial instruments and Note 36 – Contingent liabilities.

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 five prior year adjustments made as a result of the audit:

1. Investment properties £39,871k - Assets had been incorrectly classified as Investment properties when they did not fit the criteria of investment properties and should have been shown as property, plant and equipment (PPE).

2. Short term creditors £6,789k - Some balances had been classified as ‘Trade Payables’ but should have been ‘Other Payable Amounts’. This has no impact on the bottom line.

3. Financial Instruments Tables: Financial Instruments – Liabilities: £(923k), Financial Instruments – Assets: £5,170k, Provision (both short & long term): £9,029k, Financial Instruments – Fair value Liabilities: £46,541k, Financial Instruments – Fair value Asset: £(31,324k)

a. Provisions were being disclosed in the financial instruments table, but provisions fall outside the scope of IFRS 9.

b. Non-financial debtors and creditors had been disclosed in the fair value tables but again fall outside the scope of IFRS 9. This has no impact on the bottom line.

c. Some short-term payables and receivables had been incorrectly classified as non-financial, and so should be included in the financial instrument tables.

4. Minimum Revenue Provision £5,344k - The minimum revenue provision had been calculated using a 50 year asset life for all assets rather than taking into account the different lives of asset.

5. Property, plant and equipment £3,950k – Banbury Bus Station had been overvalued and treated in the valuation report as if there was a building on the premises, whereas the area consists of an open tarmac space with no buildings.

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

05 Value for Money

Value for money

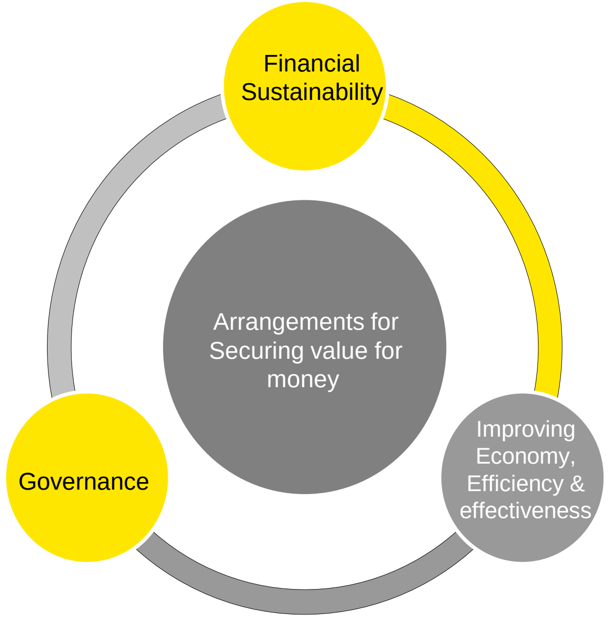
The Council's responsibilities for value for money (VFM)

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

As part of our planning we completed our value for money (VFM) risk assessment and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.



Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We will issue the VFM commentary as part of issuing the 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 2021/22 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. Although the PCC & CC are below the threshold set by the NAO, we cannot currently conclude on WGA work until the NAO confirms if they would like any additional procedures performed. This will delay our issuing of the audit certificate.

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 observations in internal control including group-wide or at components.

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

1. Financial statements: Lack of supporting evidence

Within our sample for verification of debtors, there were three items that related to Montagu Evans payovers that could not be supported. Montagu Evans manage the Castle Quay complex and receive income and make payments in relation to the rentals etc on behalf of the Council.

Recommendation: Evidence should be kept to support these payovers. Figures on a spreadsheet can be easily amended, providing inaccurate results.

2. Head office collection account

When income is received in the bank the following entries are made: Dr bank and Cr 82706. There is a system called AIM which provides a detailed analysis of card transactions etc and the reports from this system are used to identify transactions in code 82706 and reallocate the item across to the relevant income code.

So if there were no timing differences the balance on 82706 would be zero, but in reality there are always timing differences.

During the audit we were unable to agree the balance to supporting evidence.

Recommendation: There is currently no reconciliation of Cash office account balance and so it cannot easily be agreed to supporting evidence, a reconciliation should be carried out in future.

3. Minimum Revenue Provision (MRP)

a. The decision to charge nil MRP on capital loans is a divergence from paragraphs 46 and 47 of the Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 (the Guidance). We recognise that there has been consultation and updates to the guidance.

Recommendation: We recommend that the MRP policy is reviewed and updated as necessary to reflect changes to the guidance and that Members are updated on any changes deemed appropriate.

b. Management did not calculate and account for MRP following guidance issued to it by LINK in 2018-19, which has led to an under provision of MRP In the period from 2018-19 to 2021-22 of £7.8m.

Control deficiency: Management did not calculate nor account MRP in line with specialist guidance.

Recommendation: We recommend that the Council ensures it has a system of checks and balances to identify and remediate deviations from the Council's policies in complex and technical areas of the financial statements,

Assessment of Control Environment (continued)

Financial controls

5. Investment Property Classification

We identified several properties that had been classified as land and buildings under PPE, but had been classified as investment properties in error.

Control deficiency: Management have not considered whether or not the buildings that it rents out has operational purpose and its classification as PPE or investment properties under the CIPFA code.

Recommendation: We recommend the CIPFA guidance is used to classify land and buildings to ensure the criteria of investment properties before they are classified as such.

6. Payables classification

It was identified there had been errors in splitting out a creditors general ledger code between trade payables and other payables.

Recommendation: We recommend a more robust system is put in place to clarify which items should be trade payables and which items should be other payables.

7. Financial instruments

Financial instruments were not being disclosed correctly.

Control deficiency: Management have not considered definitions and disclosure requirements from the CIPFA Code when preparing the financial instruments note.

Recommendation: CIPFA guidance details the definitions and disclosure requirements regarding financial instruments, and this needs to be followed to be compliant with IFRS 9.

8. Overall Quality Review

There were five prior period adjustments identified and a number of control findings and recommendations for improvement which is higher than we would expect to see. We recognise the challenges that the Council's finance team have faced during this period but it is important that there is a quality check in place for future statements before they are submitted for audit.

Recommendation: We recommend that management performs a thorough review of the accounts and completes the CIPFA disclosure checklist and uses the CIPFA guidance notes when preparing the accounts and before they are submitted for audit.

Assessment of Control Environment (continued)

Area	Financial statements: Lack of supporting evidence
Observation	Within our sample for verification of debtors, there were three items that related to Montagu Evans payovers that could not be supported. Montagu Evans manage the Castle Quay complex and receive income and make payments in relation to the rentals etc on behalf of the Council.
Impact	Evidence needs to be kept to support the figures in the general ledger to ensure the accuracy of the general ledger.
Management comment	Time has been spent working with Montagu Evans to improve both the quality and our interpretation of the evidence trail supporting the transactions. We now receive PDF versions and excel versions which we use to reconcile the payovers.

Area	Head office collection account
Observation	When income is received in the bank the following entries are made: Dr bank and Cr 82706. The AIM system provides a detailed analysis of card transactions etc and the reports from this system are used to identify transactions in code 82706 and reallocate the item across to the relevant income code. So if there were no timing differences the balance on 82706 would be zero, but in reality there are always timing differences.
Impact	During the audit we were unable to agree the balance to supporting evidence, which meant we were unable to support the figures in the financial statements.
Management comment	We have now implemented an automated reconciliation process. This has been up and running for most of 23/24 financial year and was used to reconcile 22/23 as well.

Assessment of Control Environment (continued)

Area	Minimum Revenue Provision (MRP)
Observation	The decision to charge nil MRP on capital loans is a divergence from paragraphs 46 and 47 of the Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 (the Guidance). We recognise that there has been consultation and updates to the guidance.
Impact	We recommend that the MRP policy is reviewed and updated as necessary to reflect changes to the guidance and that Members are updated on any changes deemed appropriate.
Management comment	The council along with the vast majority of other local authorities has adopted an MRP policy which does not charge MRP on capital loans to wholly owned companies that are supporting the delivery of the council's priorities. This policy was adopted for the 2015/16 year when the council first had a non-zero Capital Financing Requirement and has not changed. The Government has recently consulted on clarifying the statutory guidance and making it clear that MRP does not need to be charge MRP in these situations. The council will ensure that it's policy remains in line with statutory guidance following the outcome of the consultation and will ensure that it's MRP policy is compliant.

Area	Minimum Revenue Provision (MRP)
Observation	Management did not calculate and account for MRP appropriately, which has led to an under provision of MRP In the period from 2018-19 to 2021-22 of £7.8m.
Impact	We recommend that the Council ensures it has a system of checks and balances to identify and remediate deviations from the Council's policies in complex and technical areas of the financial statements.
Management comment	The Council asked for Link to carry out a review in late 2022 into its approach to MRP as it wanted to ensure that it was operating correctly. Link identified that the council had not been providing for MRP appropriately in relation to share capital (charging 2% rather than 5%). As the 2021/22 accounts were still open, the Council has updated the 2021/22 accounts and made the appropriate prior year adjustments that go with this. As part of this work the council has now also produced a detailed breakdown of the CFR balance to ensure that MRP is calculated and charged on an asset-by-asset basis to ensure that the period over which MRP is charged is appropriate for all items.

Assessment of Control Environment (continued)

Area	Investment Property Classification
Observation	We identified several properties that had been classified as land and buildings under PPE, but had been classified as investment properties in error. Control deficiency: Management had not considered whether or not the buildings that it rents out had operational purpose and its classification as PPE or investment properties under the CIPFA code.
Impact	Recommendation: We recommend the CIPFA guidance is used to classify land and buildings to see if they meet the criteria of investment properties before they are classified as such.
Management comment	The council has carried out a significant review of all of its assets in 2023 to ensure they were all classified appropriately. The council identified a significant number of properties that were historically identified as investment property, but should have been classified as PPE per the guidance. As such, the council has looked to reclassify all of these assets in the latest set of accounts that were still open – 2021/22.

Area	Payables classification
Observation	It was identified there had been errors in splitting out a creditors general ledger code between trade payables and other payables.
Impact	Recommendation: We recommend a more robust system is put in place to clarify which items should be trade payables and which items should be other payables.
Management comment	The council identified this error when preparing the draft statements due to introducing a more robust system for classifying between trade payables and other payables. Therefore we are satisfied that this is already in place.

Assessment of Control Environment (continued)

Area	Financial Instruments
Observation	Financial instruments were not being disclosed correctly. Control deficiency: Management have not considered definitions and disclosure requirements from the CIPFA Code when preparing the financial instruments note.
Impact	The Council need to be compliant with IFRS 9 and CIPFA guidance details the definitions and disclosure requirements regarding financial instruments, and this needs to be adhered to.
Management comment	The majority of the changes to the financial instruments notes were identified when preparing the draft statements as management took a fresh look at whether the disclosures were appropriate. The council has now built into its closedown procedures a more detailed review of debtors and creditors to ensure all financial instruments are correctly identified and disclosed.

Area	Overall Quality Review
Observation	There were five prior period adjustments identified and the number of control findings and recommendations for improvement are higher than we would expect to see. We recognise the challenges that the Council's finance team have faced during this period but it is important that there is a quality check in place for future statements before they are submitted for audit.
Impact	We recommend that management performs a thorough review of the accounts and completes the CIPFA disclosure checklist and uses the CIPFA guidance notes when preparing the accounts and before they are submitted for audit.
Management comment	The council has undertaken a significant review to improve the quality of its accounts. As the 2021/22 accounts were still open the council has looked to include the outcomes of these reviews into this set of accounts. The expectation is that following this prior year adjustments would become less frequent. For the draft 2022/23 accounts the council has increased the level of checks that are done before publishing draft accounts, including increased consistency checks, an analytical review of the primary statements, completing CIPFA's disclosure checklist and a review of individually material transactions.

08 Data Analytics

Data Analytics

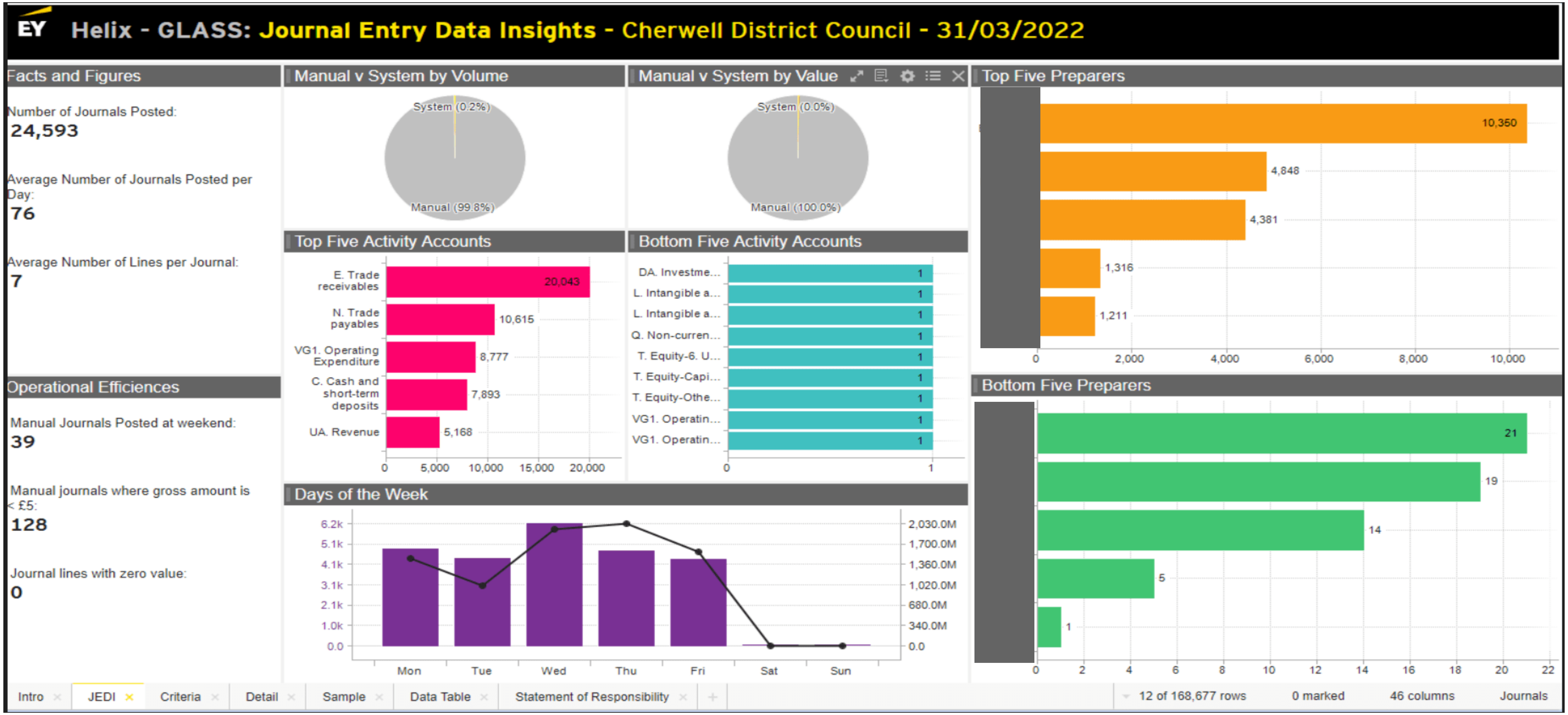
Journal Entry Testing

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 are we focused on?

Using our analytics tools we are able to take a risk focused approach to identify journals with higher risk of management override.



What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

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 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 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 report dated 15 September 2022.

We 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.

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.

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 2021/22	Final Fee 2020/21
	£	£
Base Audit Fee – Code work (See Note 1)	40,138	40,138
Group consideration	TBC	5,533
Impact of Covid-19	TBC	10,035
PPE significant risk work	TBC	7,500
Impact of new ISA540	TBC	2,489
Change to VFM reporting	TBC	6,513
Quality and preparation	TBC	13,006
Pension valuation	TBC	2,625
Increased FRC challenge	TBC	6,000
Technical accounting issues	TBC	
Work of an internal expert	TBC	6,350
Other	TBC	2,113
Total audit fees	**TBC**	**102,302**
Review of Grants – Housing Benefit	TBC	29,070
Total fees	**TBC**	**131,372**

All fees exclude VAT

Notes:

1. We remain in discussion with PSAA about increasing the scale fee to reflect the additional work auditors are required to meet regulatory requirements.
2. The 2020/21 additional fees have been discussed with management and agreed with the PSAA.

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 2022
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023: EY UK 2023 Transparency Report | 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, September 2022.
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, September 2022.
Significant findings from the audit	▸ 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, September 2022.

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: ▸ 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, Jan 2024 and Final Audit results report, Mar 2024.
Misstatements	▸ 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, Jan 2024 and Final Audit results report, Mar 2024.
Subsequent events	▸ 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, Jan 2024 and Final Audit results report, Mar 2024.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ 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: 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, Jan 2024 and Final Audit results report, Mar 2024.
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ 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	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ 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	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ 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	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Consideration of laws and regulations	▸ 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	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Group Audits	▸ 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.	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Draft Audit results report, Jan 2024 and Final Audit results report, Mar 2024.
Auditors report	▸ 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, Jan 2024 and Final Audit results report, Mar 2024.

Draft Management representation letter

Management Rep Letter

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

Ernst & Young
FAO: Maria Grindley
R+ Building
2 Blagrave St
Reading
RG1 1AZ

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Cherwell District Council ("the Group and Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Group and Council financial position of Cherwell District Council as of 31 March 2022 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
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, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council 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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Group and 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 and the effects of the conflicts and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Management representation letter

Management Rep Letter (cont'd)

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].

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

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

1. We acknowledge that we are responsible for determining that the Group and Council'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 consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any 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 consolidated or Council'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 Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

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

Management representation letter

Management Rep Letter (cont'd)

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 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 consolidated and Council financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the applicable financial reporting framework.

6. We have disclosed to you, and the Group and 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.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and 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 to litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Going Concern

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

F. Subsequent Events

1. There have been no events , including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Management Rep Letter (cont'd)

H. Climate-related matters
1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered ,including the impact resulting from the commitments made by the Group and Council, and reflected in the consolidated and Council financial statements.

2. The key assumptions used in preparing the consolidated and Council financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us (see section H).

I. Prior year adjustments
There were five prior year adjustments:

1. Investment properties £55,918k - Assets had been incorrectly classified as Investment properties when they did not fit the criteria of investment properties and should have been shown as property, plant and equipment (PPE).

2. Short term creditors £6,789k - Some balances had been classified as 'Trade Payables' but should have been 'Other Payable Amounts'. This has no impact on the bottom line.

3. Financial Instruments Tables: Financial Instruments – Liabilities: £(923k), Financial Instruments – Assets: £5,170k, Provision (both short & long term): £9,029k,Financial Instruments – Fair value Liabilities: £46,541k, Financial Instruments – Fair value Asset: £(31,324k)
a. Provisions were being disclosed in the financial instruments table, but provisions fall outside the scope of IFRS 9.
b. Non-financial debtors and creditors had been disclosed in the fair value tables but again fall outside the scope of IFRS 9. This has no impact on the bottom line.

4. Minimum Revenue Provision £5,344k - The minimum revenue provision had been calculated using a 50 year asset life for all assets rather than taking into account the different lives of asset.

5. Property, plant and equipment £4,230k – Banbury Bus Station had been overvalued and treated in the valuation report as if there was a building on the premises, whereas the area consists of an open tarmac space with no buildings.

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

J. Ownership of Assets
1. Except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council 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 consolidated and Council financial statements.

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

Management representation letter

Management Rep Letter (cont'd)

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 actuarial valuations of the Pensions Liability, the valuation of Property, Plant and Equipment and Investment Property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the 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.

M. Pensions Liability, Property, Plant and Equipment, and Investment Property Estimate

1. We confirm that the significant judgments made in making the IAS 19 actuarial valuations of the pensions liability, the valuation of property, plant and equipment, and investment property estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS 19 actuarial valuations of the pensions liability, the valuation of property, plant and equipment, and investment property estimates.

3. We confirm that the significant assumptions used in making the IAS 19 actuarial valuations of the pensions liability, the valuation of property, plant and equipment, and investment property estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and Council entity financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 actuarial valuations of the pensions liability, the valuation of property, plant and equipment, and investment property estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

N. Retirement benefits

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

Yours faithfully,

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(Director of Finance)

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(Chairman of the Audit Committee)

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ED None

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