

8 November 2021



Oxfordshire County Council
Audit & Governance Committee
County Hall
New Road
Oxford OX1 1ND

Dear Audit & Governance Committee Members

Progress Update 2020/21

We have previously presented draft audit results reports to your July and September Audit & Governance Committee meetings. Following our report to the September Audit Committee, we wanted to provide an update on the outstanding areas of work and key areas of focus. The attached pages set out the progress in the key areas of the audit and we will discuss these with you at the meeting scheduled for 17 November 2021 to ensure you are up to date on the current position and also the remaining steps to the issue of our final opinion.

We have previously reported to Committee that we experienced some delays specifically in respect of the receipt of valuation information on Property, Plant and Equipment. In addition, as a result of our challenge on the methodology applied to valuations the Council has had to revalue 66 assets. This has extended the audit work as the team needed to re-assess and test the updated valuations. As at the date of this report we are still awaiting the information to proceed with our review of this work. The following pages provide an update on this and other key areas of focus.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Maria Grindley', written in a cursive style.

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

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EY - Progress update

Areas of audit focus

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

Significant risk	Findings & conclusions
Misstatements due to fraud or error	Our work on this area is substantially complete and as at the date of this report we have found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	Our work on this area is substantially complete and we have found no instances of incorrect capitalisation of revenue expenditure.
Valuation of land and buildings	<p>Our work on valuations is ongoing. We identified a number of issues with valuations during the audit.</p> <p>1): Obsolescence: As a result of issues identified by our internal valuers with the approach being adopted in respect of obsolescence we requested that a number of assets be revalued. We have now received these revised valuations and are working through the updated revaluations. As the error identified in respect of obsolescence in the current year would also be present in prior periods we have requested that the 66 assets impacted by the error be revalued and assessed for the relevant earlier periods and be corrected via a Prior Period Adjustment (PPA). As at the date of this report we have not yet received all of the revised valuations to enable us to assess that the PPAs have been correctly processed. Once received we will also need to ensure that officers have processed the adjustments in the correct manner and order.</p> <p>The full list of revised revaluations and prior period adjustments were originally expected w/c 8 October.</p> <p>2): Care Home Valuations: During the audit we also identified a number of errors in respect of the accounting for Care Homes. We identified inconsistencies between the source document and the valuations applied. We requested that the valuations be reviewed and re-worked. We have completed the review and still need to review the final Fixed Asset Register at the conclusion of the audit and once all adjustments have been processed.</p> <p>As a result of the audit we have identified a number of material adjustments from the work completed to date.</p> <p>As our work is still ongoing it is possible that further adjustments may arise.</p>

EY - Progress update

Areas of audit focus

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

Other area of audit focus	Findings & conclusions
Accounting for Covid-19 related Grant Expenditure	Our work on this area is complete and we did not identify any instances of incorrect treatment in respect of the accounting for Covid-19 related Grant Expenditure.
Pension liability	<p>We have agreed the Authority's pension liability disclosures to the actuarial report with no issues. We have received the IAS19 assurance letter from the auditor of the Oxfordshire Pension Fund. The auditors highlighted in their letter to us that they had identified an error of £12.4 m in their assessment of assets i.e. assets as reported in the draft financial statements were understated. This was corrected by the Pension Fund. Oxfordshire County Council have approximately a 49% % share of the Pension Fund and so the corrected error would represent approximately £6.1 m for Oxfordshire County Council. We have asked officers how they will be accounting for this and are awaiting a response. If Council officers decide not to correct for this amount then this will be treated as an uncorrected mis-statement.</p> <p>We also used our internal EY Pension specialists to support us with an assessment of the reasonableness of the rollforward of liabilities. This is in response to the changes in ISA 540 (Accounting Estimates). Our specialists confirmed that through independent assessment they were able to conclude that the figures for the Scheme's liability for both the LGPS and the Firefighter's Pension Funds as at 31 March 2021 appear acceptable relative to the prior year. Liabilities were confirmed by EY Specialists as being within a range of <0.5%. This was well within the accepted threshold of 2%.</p>
Accounting for Dedicated Schools Grant Unusable Reserve	Our work on this area is well progressed and we have consulted with our technical team. We queried with officers their specific treatment of not allocating all of the DSG to the new Unusable Reserve. As a result of our challenge the Council have decided to update for all of the Reserve. We are still awaiting to see the final set of the financial statements to ensure that the change has been made in line with our expectations. We will provide an update at the Audit & Governance Committee meeting.
Going concern	The draft accounts included a detailed disclosure on going concern. Officers have used the assessment of the impact of Covid-19 on the Authority's finances, as reported to Cabinet, to draft the going concern disclosure note. We have scrutinised the financial assessment, cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We have requested further information supporting their overall assessment of the Going Concern assumption. We will provide an update on our consideration and final conclusion of this matter at the Audit & Governance Committee meeting.