Oxfordshire County Council
Draft audit results report

Year ended 31 Month 2024

27 November 2024

(Issued: 19 November 2024)

Building a better working world

Audit and Governance Committee
County Hall
New Road
Oxford OX1 1ND

19 November 2024

Dear Audit & Governance Committee Members

2023/ 24 Draft Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit and Governance Committee. We will update the Audit and Governance Committee at its meeting scheduled for 27 November 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Oxfordshire County Council (the Council's) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (SI 2024/907) imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued , together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 2022/23 Audit Completion Report, we intend to issue a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. We commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, therefore there is insufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from that year (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits) 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 July 2021)” 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 **Audit and Governance Committee and management of Oxfordshire County Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit and Governance Committee and management of Oxfordshire County Council** 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 **Audit and Governance Committee and management of Oxfordshire County Council** 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 – Context for the audit

Context for the audit – Ministry for Housing, Communities and Local Government (MHCLG, formerly DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Lack of capacity within audit firms with public sector experience.
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 2022/23 Audit Completion Report to the Audit and Governance Committee we intend to issue a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. We commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, therefore there is insufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Executive Summary

Scope update

In our Audit Planning Report presented at the 22 April 2024 Audit and Governance 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, with the following exceptions:

- Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £23.2 million. This was based on prior year gross expenditure on the provision of services. We have re-calculated this using values from the draft financial statements. Based on this our revised materiality level is £22.9 million. The basis of our assessment has remained consistent at 1.8% of gross expenditure on provision of services. This results in updated performance materiality, at 50% of overall materiality, of £11.4 million, and an updated threshold for reporting misstatements of £1.1 million.
- Changes in risk: We made the following changes to the risk assessment presented in our Audit Planning Report:
    - PFI Liability –As part of work we gained an updated understanding of the Council's arrangements in this area and concluded that there had been no changes in the PFI model subsequent to our previous assessment. We were therefore satisfied the accounting for the PFI liability should not be considered as higher inherent risk.
    - The valuation of investment property and property, plant and equipment (PPE) land and buildings was classified as a single significant risk at the audit planning stage. However, due to the different valuation methods, assumptions and audit approach, we reconsidered this assessment and created separate significant risks for the valuation of PPE land and buildings and the valuation of investment property.
    - Due to the likely disclaimer of the 2022/23 financial statements, we were not able to rely on the opening balances. In order to gain assurance over the closing balance in some areas we therefore performed audit procedures over two years from the point of last audited closing balances at the end of 2020/21. See Appendix A for further details.
- As part of our controls review, we were required to perform additional audit procedures on the Complimentary user entity controls (CUECs).

Status of the audit

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

- Some outstanding queries/support on the following accounts (Pensions, Journals, Government receipts in advance, property, plant and equipment and expenditure);
- Final manager, partner and quality reviews;
- Review of the final financial statements;
- Going concern review and disclosures;
- Management representation letter; and
- Subsequent events review.

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

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion which, as set out on the previous page, we expect to be disclaimer of opinion for 2023/24.

Executive Summary (cont'd)

Value for Money

In our Audit Progress Report Update of 18 September 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness . See Section 4 of the report for further details.

Audit differences

As at the date of this report, we have identified the following non-trivial misstatements which we expect to be corrected by management:

- £8.2 million payable that was paid post year-end but incorrectly cleared against the year-end bank balance. This had the impact of understating cash and understating payables.
- Pooled budget adjustments impacting debtors, creditors and cash at year-end. As at the date of this report we are continuing to discuss this with the Council to fully quantify the possible impact.

We have also identified a number of other presentational and disclosure amendments to the primary statements and supporting notes as a result of our work which we also expect to be corrected by management.

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 matters to report as a result of this work.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont’d)

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the Council’s financial statements. 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 explained within the ‘Areas of Audit Focus’ section of this report and summarised below.

Audit findings and conclusions: Misstatements due to fraud and error (fraud and significant risk)

Subject to final completion of our work in this area we have not identified any material evidence of material management override.

Audit findings and conclusions: Inappropriate capitalisation of revenue expenditure (fraud and significant risk)

Our work on this area is complete and we have found no material instances of incorrect capitalisation of revenue.

Audit findings and conclusions: Valuation of investment property (significant risk)

Our work in this area is substantially complete and there are no material errors or other material matters we wish to draw to your attention.

Audit findings and conclusions: Valuation of property, plant & equipment land and buildings (fraud significant risk)

Our work on valuations is now complete but subject to partner review. We identified a possible misstatement which we are in the process of following up with management. For more details, please see section 2 of this report.

Audit findings and conclusions: IAS 19 valuation (inherent risk)

We have agreed the Council’s pension liability disclosures to the actuarial report with no issues. We have also used our internal EY pension specialists to support us with an assessment of the reasonableness of the roll forward of liabilities. As at the date of this report, the IAS 19 assurances from the auditor of the Oxfordshire Pension Fund are outstanding. We will update the Audit and Governance Committee with the outcome.

Audit findings and conclusions: IFRS 16 (inherent risk)

Our work in this area is complete. Only very limited progress has been made by the Council to prepare for the full implementation of IFRS 16 in the 2024/25 financial statements. We consider this to be a qualitative weakness in the Council’s arrangements for financial reporting. See section 6 of this report for further details.

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

- There are no further considerations or matters that could impact these issues.
- You concur with the resolution of the issue.
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we consider should be brought to the attention of the Audit & Governance Committee.

Executive Summary (cont’d)

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, and which is unknown to you. However, we have identified some areas where controls could be strengthened. Specifically:

- Our testing of PPE additions and revenue expenditure funded from capital under statute (REFCUS) in the period identified that staff timesheets used to support capitalised labour costs were not subject to management review and could be retrospectively amended.
- A revaluation of PPE land and building assets was undertaken by the Council’s qualified valuers as at 31 March 2024 as part of the Council’s rolling valuation programme. The valuation was reflected in the fixed asset register at 31 December 2023 leading to a trivial misstatement of both in-year depreciation charges and the carrying value of the revalued assets in the financial statements.
- We have identified some further control deficiencies from both our work and review of the control's assurance report on the Integrated Business Centre service organisation hosted by Hampshire County Council.

Please refer to section 5 for our full assessment of the control environment and related recommendations for improvement.

Independence

Please refer to section 7 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud and error

Significant Risk

Fraud Risk

What is the risk?

As identified in ISA (UK) 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 otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What are our conclusions?

Subject to final completion of our work in this area we have not identified any material evidence of material management override. Specifically:

- Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.
- There were no significant unusual transactions.

We will update the Audit & Governance Committee on 27 November 2024 with the further progress of our procedures.

Our response to the key areas of challenge and professional judgement

We:

- inquired of management about risks of fraud and the controls put in place to address those risks
- obtained an understanding of the oversight given by those charged with governance of management's processes over fraud
- discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- considered the effectiveness of management's controls designed to address the risk of fraud
- determined an appropriate strategy to address those identified risks of fraud
- performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- undertook procedures to identify significant unusual transactions
- considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure

Significant Risk | Fraud Risk

What is the risk, and the key judgements and estimates?

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.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

We assessed that the risk of misreporting revenue outturn in the financial statements in PPE additions, REFCUS and expenditure transferred by journal from revenue to capital codes on the general ledger. Investment property additions were not material and therefore not subject to detailed testing. We performed the following procedures to address the significant risk identified:

- Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised was supported by evidence and clearly capital in nature. To do this:
    - We assessed whether the capitalised spend clearly enhanced or extended the useful like of an asset rather than simply repairing or maintaining an asset.
    - We considered whether any development or other related capitalised costs were directly attributable to bringing an asset into operational use and therefore appropriate to capitalise.
- Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Performed procedures 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.

As part of our work to rebuild assurance following the issue of a disclaimed audit opinion on the 2022/23 financial statements, our testing of both PPE and additions and REFCUS covered both 2022/23 and 2023/24.

What are our conclusions

Our testing is complete subject to the resolution of final queries and final review of the audit work performed.

We have identified no material inappropriate capitalisation of revenue expenditure. However, our testing of both PPE additions and REFCUS in the period identified that staff timesheets used to support capitalised labour costs were not subject to management review and could be retrospectively amended. We consider this to be a weakness in internal control and have raised an associated recommendation for improvement in section 5 of this report. We are still in the process of confirming the legal costs being capitalised.

We will update the Audit and Governance Committee on 27 November 2024 if there are any changes to our final conclusions.

Areas of Audit Focus

Valuation of investment property

Significant Risk

What is the risk, and the key judgements and estimates?

We revisited our risk assessment procedures and revisited the significant risk associated to other land and building and investment property assets.

We assessed the difference in the risks associated to these investment property, therefore we created as separate significant risk to investment property which are valued using the fair value method. This valuation method involve higher risk estimates due to the significant assumptions and judgements involved, which is mainly affected by changes in the market conditions. This triggers the use of experts by both management and EY. This estimates heighten the risk of material error in the investment property.

What are our conclusions

Our work on the review and assessment on the valuation of investment property is substantially complete subject to final internal review.

There are no material errors or other material matters that we wish to draw to your attention.

Our response to the key areas of challenge and professional judgement

In response to the significant risks identified in the valuation of investment property we performed the following procedures:

- Understood the Council's approach in valuing their investment property and determined whether the Council had revalued their investment property in accordance with the CIPFA Code (i.e., on yearly basis)
- Obtained the valuation report from the management's specialist and reconciled the revalued amount against the recorded balance in the fixed asset register and the reported balances in the financial statement.
- Engaged EY Real Estate (EYRE) valuation to review and assessed the valuation of a sample of investment property. The work of EYRE includes assessing the appropriateness of the methods/models and the reasonableness of the assumptions used in the calculation of the fair value of the investment property.
- Reviewed the work performed by EYRE and assessed whether any further clarifications of matters that EYRE requested for the audit team to confirm or verify.
- Performed further procedures on the input data used by the management's specialist in valuing the investment properties.
- Assessed whether the valuation of the selected investment property for review is within the range set by EYRE and investigated further for any difference that is beyond the reporting threshold set.

Areas of Audit Focus

Valuation of property plant and equipment land and buildings

Significant Risk

What is the risk, and the key judgements and estimates?

We have revisited our risk assessment procedures and revisited the significant risk associated to other land and building and investment property assets.

The valuation of other land and building uses the Depreciated Replacement Costs (DRC) and Existing Use Value (EUV) model of valuation. DRC used the instant build approach which includes estimation of the current costs of replacing an asset with its modern equivalent less deduction for all physical deterioration whilst EUV method uses the estimates amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in arm's-length transaction. Both the valuations involves significant judgement and estimates. These matters heighten the risk of material error in the

Our response to the key areas of challenge and professional judgement

In response to the significant risks identified in the valuation of other land and buildings we performed the following procedures:

- Understood the Council's approach in valuing the other land and buildings and determined whether the Council revalued the other land and building in accordance with the CIPFA Code (i.e., within 5 year rolling program basis)
- Obtained the valuation report from management's specialist, selected other land and buildings and reconciled the revalued amount against the recorded balance in the fixed asset register and the reported balances in the financial statements.
- Engaged EY Real Estate (EYRE) to review and assess the valuation of a sample of other land and buildings. The work of EYRE includes assessing the appropriateness of the methods/models and the reasonableness of the assumptions used in the calculation of the other land and buildings valued using EUV and DRC.
- Reviewed the work performed by EYRE and assessed whether further clarifications of matters that EYRE requested for the audit team to confirm or verify. Assessed and concluded on the appropriateness of the methods/models and the reasonableness of the assumptions on both the EUV and DRC valuations.
- Performed further procedures on the input data used by management's specialist in valuing the other land and buildings valued in EUV and DRC.
- Assessed whether the valuation of the samples selected on other land and buildings for review is within the range set by EYRE and investigated further for any difference that was beyond the reporting threshold set.

What are our conclusions

Our work on the review and assessment on the valuation of other land is substantially complete subject to final review. Our work did not identify any adjustments above our reporting threshold.

A revaluation of PPE land and building assets was undertaken by the Council's qualified valuers as at 31 March 2024 as part of the Council's rolling valuation programme. The valuation was reflected in the fixed asset register at 31 December 2023 leading to an overstatement of depreciation and an understatement of the carrying value of assets of the same amount at the reporting date. Although the failure to process the valuation on the fixed asset register at the correct point in time did not result in non-trivial misstatements of the financial statements it constitutes a weakness in internal control which we consider further is section 5 of the report.

Other areas of audit Focus

Pension Liability and IAS 19 Valuations (Inherent Risk)

What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS 19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

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 2024 this totalled £130 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response to the key areas of challenge and professional judgement

- We liaised with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- We assessed the work of the pension fund actuary including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors and considered any relevant reviews by the EY actuarial team.
- We evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model. These were independently assessed as being within an acceptable range of <0.2%.
- We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

What are our conclusions?

Our testing for the defined pension liability is substantially complete. From the work completed to date we have not identified material errors or adjustments that we wish to bring to your attention.

We have not yet received the IAS 19 Assurance Letter from the auditor of the Oxfordshire Pension Fund.

IFRS 16 (Inherent Risk)

Incorrect disclosures in relation to IFRS 16 Lease

Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions.

Impact assessment disclosures are required in the 2023/24 financial statements and the Council needs to ensure that it is prepared for the implementation of this standard

We:

- Obtained an understand the Council's process for implementing the new leases standard by completing a preparedness enquiries assessment with management.

What are our conclusions?

Our work in this area is complete. Only very limited progress has been made to prepare for the full implementation of IFRS 16 in the 2024/25 financial statements. As a result, the Council has been unable to quantify the likely impact of adopting the standard in 2024/25 as part of disclosures in the 2023/24 financial statements. We consider this to be a qualitative weakness in the Council's arrangements for financial reporting. See section 6 of this report for further details.

03 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 set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

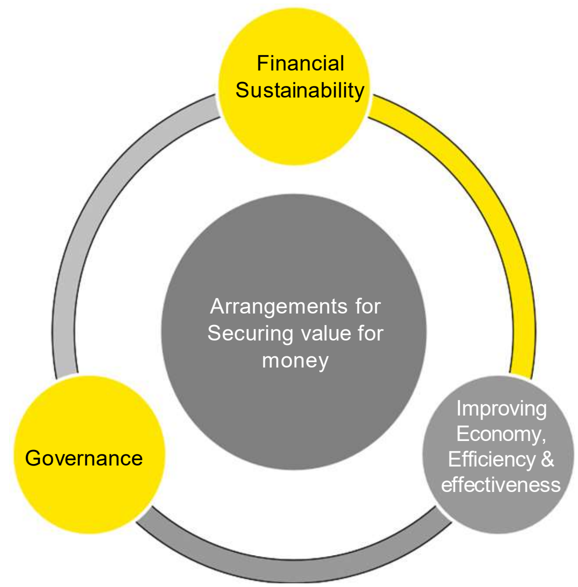
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We provide a commentary on the Council arrangements against three reporting criteria:

- **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.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements. We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report.



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 audit differences

As at the date of this report, we have identified the following non-trivial misstatements which we expect to be corrected by management:

- £8.2 million payable that was paid post year end but incorrectly cleared against the year-end bank balance. This issue arose because an uncleared BACS account code had been incorrectly mapped to cash instead of payables. This resulted in an understatement of payables and an understatement of cash and cash equivalents.
- Pooled budget adjustments impacting debtors, creditors and cash at year-end. There are two misstatements in the pool budgets accounts:
    - £3.1 million - When calculating the current year pool budget adjustment, the Council incorrectly used the 2021/22 report from SAP. Management has agreed with this adjustment.
    - £4.2 million - There is £4.2 million included in cash at year-end which is the balancing figure between the debtors and creditors pool budget adjustment. We are engaging with management to confirm the correcting entry.

We also identified a number of other presentational and disclosure amendments to the primary statements and supporting notes as a result of our work which we also expect to be corrected by management.

05

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However, we wish to draw the following matters to your attention.

In our Audit Planning Report presented at the 22 April 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements where we indicated that we intended to take a substantive audit approach, although we identified the following key processes where we would seek to rely on controls, both manual and IT: Cash and Bank, Accounts Payable and Accounts Receivable.

As part of our audit procedures, we obtained the ISAE 3402 report for the services provided by the Integrated Business Centre (IBC) and performed the required test of control procedures. Based on the review of the report, it was noted that there were 7 control exceptions identified by the auditors of Hampshire County Council (EY FIAT) of as listed below:

Control deficiencies identified in the Integrated Business Centre hosted by Hampshire County Council

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- 7 users with access to create or amend customers were identified as inappropriate.
- The list of approved individuals that was shared with the Partner Organisations' S151 officers for review was incomplete, and 20 users were missed from the review.
- 6 users with access to raise invoices and credit notes were identified as inappropriate.
- 69 users with access to write off bad debts were identified as inappropriate.
- The list of approved individuals that was shared with the Partner Organisations' S151 officers for review was incomplete and 40 users were missed from the review.
- 44 users with access to amend purchase orders were identified as inappropriate.
- 11 users with access to release blocked invoices were identified as inappropriate.

As part of the ISAE 3402 report management responses were obtained to recommendations raised in respect of the above, which we have then considered further as part of our work. Based on this we have concluded we have sufficient assurance over the internal controls established by the Council, and that overall they are operating effectively for 2023/24. To further support this we also engaged EY Technology Risk Consulting with regards to any mitigating controls present in the identified controls exceptions and was able to confirm that the controls are working effectively and are reliable.

Outside of this we also identified a number of control deficiencies as part of our own work which we consider over the following pages, together with an assessment of their impact and associated recommendations for improvement.

Slide 22

ES0 This has not been communicated with OCC until now. Would it be possible to discuss this with yourself?

Stevens, Ella - Oxfordshire Cou, 2024-11-17T12:55:25.060

Assessment of Control Environment (cont'd)

Area	Timesheets supporting capitalised labour costs	Rating	Moderate

Observation

As part of our work to test REFCUS and PPE additions we sought evidence to support capitalised labour costs. We performed a walkthrough of the process of recording time through the system how this is being reflected in the financial statements. Based on the procedures performed, we observed the following control deficiencies as part of our work:

(i) The recording of time charges for each of capital project is not reviewed and approved to be capitalised.

(ii) The employee can amend the hours charges within the time frame where the system is open (approx. 1 month)

ES0

Impact and recommendation

Impact

Although we found no clear evidence of the inappropriate capitalisation of labour costs the absence of controls for the proper monitoring, review and approval of supporting timesheets increase the risk of error and the inappropriate capitalisation of revenue expenditure.

Recommendation 1

Management should ensure that there is evidence of appropriate review of timesheets to support the amount being capitalised. The time recording system should not allow users to amend timesheets or all subsequent changes to timesheets to be reviewed and approved.

Management comment

The Capital Programme timesheets are currently monitored through the capital forecasting system, ensuring that any significant discrepancies can be identified. While individual timesheets are not currently authorised, we have taken on board the auditors' recommendation to introduce an authorisation stage. Also, this new process will ensure that once hours are agreed and entered into the system, they cannot be amended. We are actively working towards implementing this enhancement, with a target to have it fully in place and control-tested by March 2025.

ES1

Slide 23

ES0 The Legal Team's timesheet system currently has the authorisation feature enabled. Could this please be removed? The software used by the Capital Programme Team doesn’t currently have the authorisation feature.
Stevens, Ella - Oxfordshire Cou, 2024-11-17T13:17:08.436

ES1 This comment is assuming that Legal Team is removed from the observation section
Stevens, Ella - Oxfordshire Cou, 2024-11-17T13:41:34.984

Assessment of Control Environment (cont'd)

Area	PPE Valuation
Rating	Moderate
Observation	A revaluation of PPE land and building assets was undertaken by the Council's qualified valuers as at 31 March 2024 as part of the Council's rolling valuation programme. The valuation was reflected in the fixed asset register at 31 December 2023.
Impact and recommendation	**Impact** The failure to recognise the revaluation at the valuation and reporting date resulted in an overstatement of depreciation and an understatement of the carrying value of assets of the same amount in the 2023/24 financial statements and closing fixed asset register. We are in the process of quantifying the impact. **Recommendation 2** Ensure that revaluations are reflected in the fixed asset register and financial statements at the correct date.
Management comment	We acknowledge the importance of ensuring revaluations are accurately reflected in both the fixed asset register and financial statements at the correct date. While this process has been audited many times before without any issues. We will take your recommendation on board and ensure that, moving forward, revaluations are accurately reflected in both the fixed asset register and financial statements at the appropriate date.

ES0

Slide 24

ES0 Please can this figure be removed - As we are uncertain this is correct
Stevens, Ella - Oxfordshire Cou, 2024-11-18T13:27:26.964

Assessment of Control Environment (cont'd)

Area	Bank Reconciliation
Rating	Moderate
Observation	The bank reconciliation performed as at 31 March 2024 includes reconciling items that do not all relate to cash movements at year end. This is due to the incorrect mapping of the account code #1438 to cash which relates to uncleared BACS payments. The code should instead be mapped to creditors.
Impact and recommendation	**Impact** Account code #1438 has a closing balance of £8.2 million which relates to BACS payments that cleared in April 2024 and therefore be held as a creditor balance at year end, however currently they have been processed as having already occurred at year end causing both cash and creditors to be understated by £8.2 million. **Recommendation 3** Review the mapping of general ledger codes included within the bank reconciliation to ensure that they all relate to realising the true cash balance as at 31 March 2024 .
Management comment	We can confirm that Recommendation 3 has been fully implemented. The mapping of general ledger codes within the bank reconciliation has been reviewed and updated to ensure that all codes accurately reflect the true cash balance as at 31 March 2024. This action ensures that both cash and creditor balances are reported correctly going forward.

Assessment of Control Environment (cont'd)

Area	Pooled Budgets	Rating	Moderate
Observation	Through review of the pooled budgets adjustment between creditors, debtors and cash we have identified that the adjustment posted to the financial statements was based on a report from SAP for FY21/22, this however should have been updated to reflect the position in FY23/24. Also, upon review of the pooled budgets adjustment it is noted that cash is being affected, however there are no conditions in place to satisfy there being a cash balance as per IAS7. Therefore, the pooled budgets adjustment is inaccurate, and we are currently in the process of discussing the correct adjustment with management. The observation therefore is that further review of the pooled budgets journal postings is required to prevent the inaccuracies noted above.		
Impact and recommendation	**Impact** The final impact of the revised pooled budgets adjustment is currently being discussed with management. Management are also currently preparing an accounting paper on how they process pooled budget entries. **Recommendation 4** The recommendation for this control observation will be finalised upon conclusion of the pooled budgets adjustment being agreed with management.		
Management comment	The figures from 2021/22 that were identified have been updated to reflect the 2023/24 figures. This adjustment has been carried out consistently over many years without any concerns raised in previous audits. However, we appreciate the recommendation and have taken it on board. We will continue working closely with Ernst Young to finalise the agreed adjustments and ensure they are implemented effectively for future years.		

Assessment of Control Environment (cont’d)

Area	System Creditors	Rating	Low

Observation

As part of work to test creditors we identified amounts that had been paid but not cleared, where the difference between the purchase order amount and the amount paid per the invoice is still reflected as outstanding.

Impact and recommendation

Impact

Based on our observation, we identified that year end payables reported in the financial statements have been outstanding for more than 12 months. Management is in the process of investigating these balances to determine whether they have actually been paid and can be cleared. We will then be able to quantify any misstatement. We are currently satisfied the total possible misstatement is not material to our responsibilities.

Recommendation 5

Management should routinely review all open purchase orders supporting creditor balances in the accounts relating to prior years to determine whether they have actually been paid.

Management comment

We are currently conducting a mapping exercise to provide Ernst Young with assurance that creditor balances have been settled. Additionally, we have discussed this matter with the Operational Finance team at the Integrated Business Centre (Hampshire County Council), who are exploring options to address these open postings. Once a solution is identified, we will take the necessary steps to close these outstanding balances. Furthermore, management will routinely review all open purchase orders supporting creditor balances in the accounts from prior years to determine whether they have been paid.

Slide 27

ES0 This should now be Recommendation 5

Stevens, Ella - Oxfordshire Cou, 2024-11-17T17:43:03.025

ES1 As discussed, please can this figure be removed? As we are unsure of the figure and I would not like to report a figure that not 100% correct.

Stevens, Ella - Oxfordshire Cou, 2024-11-17T17:47:38.860

Assessment of Control Environment (cont'd)

Area	System Debtors	Rating	Low

Observation

As part of the review of the debtor balances and transactions, we noted that there are a number debtor balances and credit balances in the debtor account where receipts have not been properly matched to outstanding debtors. We are satisfied that the net amount is correct.

Impact and recommendation

Impact

The failure to apply unmatched receipts against the correct debtor balances results in the inaccurate ageing of debtor balances which could lead to inaccurate assessment of the age of debt. Management is aware of this and currently working on the process of cleansing debtor records to provide a more accurate assessment of outstanding debtor balances to facilitate assessment of the bad debt provision.

Recommendation 6

Improve current processes in the debtor system to facilitate automated matching of receipts against the relevant open debt.

Management comment

We are currently conducting a mapping exercise to provide Ernst Young with assurance that debtor balances have been settled. Additionally, we have discussed this matter with the Operational Finance team at the Integrated Business Centre (Hampshire County Council), who are exploring options to address these open postings. Once a solution is identified, we will take the necessary steps to close these outstanding balances.

Slide 28

ES0 This should now be Recommendation 6

Stevens, Ella - Oxfordshire Cou, 2024-11-18T13:51:26.546

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 Oxfordshire County Council Statement of Accounts 2023/24 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.

Our review of the Financial information in the Oxfordshire County Council Statement of Accounts 2023/24 and published with the financial statements is still in progress, we will update the Audit and Governance Committee on 27 November if we identify any findings during our procedures.

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 not yet completed our work in this area. We will do so and report any matters arising to the Audit & Governance Committee in due course.

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 during the audit, either for the Council 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 Reporting Issues (cont’d)

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;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have one issue to bring to your attention around the Council’s arrangements for the adoption of the financial reporting standard IFRS 16 Leases which we consider to be a qualitative weakness in the Council’s financial reporting arrangements. IFRS 16 will become effective for the local authorities for the 2024/25 financial year. Although we have been informed that management has identified the leases that it considers will be in the scope for the implementation of IFRS 16:

- We have not been provided with a full listing of those leases.
- The Council has not identified the relevant lease categorisations.
- All significant data points have not been identified, collected, logged and checked.
- Relevant accounting policy choices have not yet been determined.
- Transitional and ongoing accounting arrangements are therefore not yet clear.

Other Reporting Issues (cont'd)

Other matters (continued)

This has meant that the Council has not been able to quantify the likely impact of the transition to IFRS 16 in its 2023/24 financial statements. The disclosure included in the 2023/24 financial statements as part of Note 60, Accounting Standards that have been issue but have not yet been adopted, only notes that the likely impact is material and does not explain why quantification of the impact has not been possible. Progress in this area now needs to be accelerated as a matter of urgency.

Recommendation 7

Accelerate the rate of ES0 ess in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements.

Management Response:

Work is actively underway to address this, and we remain on track to meet the deadline for the implementation of IFRS 16. We acknowledge the importance of quantifying the impact and providing clear disclosure, and steps are being taken to certify this. The Council is committed to ensuring full compliance with IFRS 16 requirements in the 2024/25 financial statements.

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA330)

Given that we disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. We

set out the findings and conclusions from our work to implement ISA 315 in the table below.

Slide 32

ES0 This should now be Recommendation 7

Stevens, Ella - Oxfordshire Cou, 2024-11-18T13:51:38.975

Other Reporting Issues (cont’d)

Audit Procedures	Audit findings and conclusions
We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has two relevant IT applications for the purposes of ISA 315 risk assessment (SAP - including Integrated FAR/Payroll modules) and ContROCC (Adult and Children Social Care) We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy. When we have identified controls relevant to the audit that are application controls or IT dependent manual controls, where we do not gain assurance substantively, we performed additional procedures to assess: ► Manage entity-programmed changes IT process ► Manage vendor supplied changes ► Manage security settings ► Manage user access ► Job scheduling and managing IT	Our work in this area is complete. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

07 Independence

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 your company, 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

This report includes a summary of the fees that you have paid to us in the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are set out in the table over-page.

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.

Independence - Fees

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

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements 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
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality /statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/ . In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£	£
Total Fee –Code Work (scale fee)	291,895	TBC Note 1
Other	1	TBC
Total audit	**1**	**TBC**
Other non-audit services not covered above (Teachers' Pensions Certification)	N/A	14,000
Proposed scale fee variation	TBC Note 2	TBC
Total other non-audit services	**0**	**14,000**
Total fees	**TBC**	**TBC**

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued by DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2

The proposed scale fee variation fee for 2023/24, includes additional procedures in relation to the following areas:

- We were required to perform additional audit procedures on the Complimentary User Entity Controls (CUECs) as identified in the ISAE 3402 report as well as follow up work on the control deficiencies identified.
- Because we do not have assurance on opening balances, we were required to perform audit work on some of the movements relating to 2021/22. This included additions and disposals, starters and leavers and in-year movements for grants received in advance. We also performed a 2 year roll forward on the FF pension liability (the prior year roll-forward for the LGPS was performed by the OPF audit team in the prior year).
- There were also delays in receiving information for starters and leavers, additions testing and operating expenditure.

Independence - Relationships, services and related threats and safeguards

EY Transparency Report 2024

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 October 2024: ey-uk-2024-transparency-report.pdf

08 Appendices

Appendix A –Summary of assurances

Summary of Assurances

As we have set out in the Executive Summary of this report, that we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position at 1 April 2023, the closing reserves balances at 31 March 2024, or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	We completed testing of 2022/23 and 2023/ 24 additions and disposals, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognise those assets; however, until we are able to rebuild assurance revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024.
Investment Property	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Intangible Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Long Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A –Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Creditors (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Grants received in advance	Substantial	Subject to the resolution of final queries we have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Local Government Pension Scheme Liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning report.
Comprehensive Income and Expenditure Statement	None	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the financial statement are accurate.

Appendix B – Summary of communications

Summary of communications

Date	Nature	Summary
7 March 2024	Meeting	Senior members of the audit team, met with the management team to discuss the current year audit timeline and introduce the new manager on the audit
24 April 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the matters identified as part of the first quarter review.
1 May 2024	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
8 May 2024	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit planning report.
18 September 2024	Report	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit progress report.
21 October 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss the matters identified as part of the third quarter review.
4 November 2024	Meeting	Audit close meeting with the management team to discuss the discuss the preliminary findings of the audit.
15 November 2024	Report	The Audit results report, including confirmation of independence, was issued to the audit committee.
27 November 2024	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit 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 audit 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- 22 April 2024
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • 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- 22 April 2024
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	Draft Audit results report –27 November 2024

Appendix C - Required communications with the Audit Committee (cont'd)

		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 – 27 November 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 – 27 November 2024

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • 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 • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility.	Draft Audit results report –27 November 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 –27 November 2024

Appendix C - Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity suchas: • 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 Communications whenever significant judgements are made about threats to integrity, 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' integrity, 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	Audit planning report- 22 April 2024 and Draft Audit results report – 27 November 2024

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	• 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 audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
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 – 27 November 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 audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Draft Audit results report – 27 November 2024
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Draft Audit results report – 27 November 2024

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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 –27 November 2024
System of quality management	• How the system of quality management (SQM) supports the consistent performance of a quality audit	Draft Audit results report –27 November 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 –27 November 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 –27 November 2024

Appendix D – Outstanding matters

Outstanding matters

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

Item	Actions to resolve	Responsibility
Final reviews by manager and partner	There are a number of area of execution that are subject to manager and partner review and there may be further matters arising from the review process. We have not listed each of the areas in detail here.	EY
Annual Report and accounts	Review of the updated Annual Report and associated support for disclosures Incorporation of EY review comments on disclosure notes	EY and management
Going concern review and disclosures	EY central review process and finalisation of disclosures and opinion wording	EY
Management representation letter	Receipt of signed management representation letter	EY, Management and audit and governance committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

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

Appendix F - **Accounting and regulatory update**

Accounting and regulatory update

Accounting update

The following table provides a high-level summary of accounting updates that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Oxfordshire County Council

IFRS 16 Leases	• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.
	• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.
	• Lease liabilities and right of use assets will be subject to more frequent remeasurement.
	• The standard must be adopted by 1 April 2024 at the latest
		• We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:
		    • The Council's processes to collect the required data.
		    • Whether reasonable accounting policy choices had been made.
		    • Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.
		    • The transitional and ongoing accounting arrangements that have been established.
		    • Systems and processes to establish and distinguish between lease remeasurements and modifications.
		• Based on this assessment we have concluded that the Council has not yet been able to show is has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25. We have reported this as a qualitative weaknesses in the Council's accounting and financial reporting arrangements and made associated recommendations for improvement. See Section 06 of this report.

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