



URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

Accounts, Audit and Risk Committee

15 January 2025

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
7.	(Pages 3 - 44)	Verbal update on the 2023-24 Statement of Accounts The following draft documents are attached for information to support the verbal update from the External Auditor <ul style="list-style-type: none"> • Draft Audit Completion Report 2023-24 • Draft Auditor's Annual Report 2023-24 	External Audit	Draft documents to support verbal update

If you need any further information about the meeting please contact Patrick Davis, Democratic and Elections democracy@cherwell-dc.gov.uk, 01295 221534

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Audit Completion Report - Draft

Cherwell District Council

For the year ended 31 March 2024



Date: 7 January 2025

Those Charged with Governance
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

Dear Sirs and Madams

Cherwell District Council – Audit Completion Report

We are pleased to attach our Audit Completion Report. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully



Bishop Fleming LLP.

BISHOP FLEMING LLP

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1. Executive summary

Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries outlined in section 2. We anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances, due to the prior year financial statements also being disclaimed by the previous auditor.

Amendment to audit deadlines

On 9 September 2024, the Secretary of State for MHCLG laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. These came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its audited statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or before 28 February 2025.

Key audit issues

Within our Audit Plan which was presented to the Accounts, Audit and Risk Committee in May 2024, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific risks highlighted were as follows:

- Management override of controls;
- Fraud in revenue recognition;
- Fraud in expenditure recognition;
- Valuation of land and buildings;
- Valuation of investment properties; and
- Valuation of the pension fund net liability.

Our audit work is still ongoing on some of these areas and is further detailed in section 2 of this report.

Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of management, were adjusted in the financial statements.

Further adjustments were proposed but not made, as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are included in section 6 to this report.

Management Letter Points and Internal Control Matters

Three control points were identified during the course of our work and these are further detailed in section 7 to this report. Of the matters noted, none are considered to have an important effect on your system of internal control.

Value for Money

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The National Audit Office's Code of Audit Practice requires us to report on the Council's arrangements under three specified 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 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.

Our work has not identified any significant weaknesses; see section 8 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Cherwell District Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Cherwell District Council - Group	2% of gross expenditure	£3,040k
Cherwell District Council	2% of gross expenditure	£1,917k

The level of materiality has changed since our Audit Plan. This is a result of materiality being revised based on actual figures from the draft financial statements. For initial planning procedures including preparing the audit plan, materiality was calculated using the 2022/23 gross expenditure amounts as an estimate since the 2023/24 financial statements had not been published.

Anticipated audit report

As the Council's financial statements for 2022/23 were given a disclaimed audit opinion by the predecessor auditor, with no substantive audit work being carried out. As a result, we do not have assurance over the opening balances for the 2023/24 audit and we will be issuing a disclaimed opinion on the financial statements of Cherwell District Council for the year ended 31 March 2024. We will be aiming to rebuild assurance over subsequent audit years, although the timeframe for getting the Council to an unqualified opinion is currently unclear and is the subject of significant discussions within the sector.

Representation Letter

The representation letter is attached at Appendix 1.

Update on our planned approach

Our audit work is being carried out in accordance with our Audit Plan in response to the perceived audit risks. No matters were identified which required us to change our approach and no additional risks were identified.

Our audit work is well progressed although our procedures are in progress in the following areas:

- Receipt and review of responses from the valuer for us to be able to complete our work on PPE valuations and investment property.
- Receipt of confirmation from Crown House Banbury regarding the year end investment balance.
- Agreement of a sample of Grant income to bank receipts
- Agreement of a sample of post year end income items to supporting documentation
- Review of evidence regarding trade debtors and Loans made for service purposes
- Final outstanding queries on expenditure cut off items in relation to Housing Benefits.
- Review of evidence regarding trade creditors and grants received in advance
- Receipt and process of additional sample of 2 items for payroll substantive testing
- Audit of consolidation and completion of group audit procedures
- Completion of Pension Fund liability working
- Completion of review of earmarked reserves
- Completion of the collection fund income testing and business rates appeal provision
- Completion of leases testing
- Final manager and partner review of audit working papers
- Receipt of the signed management representation letter
- Final completion procedures including consideration of post balance sheet events prior to signing

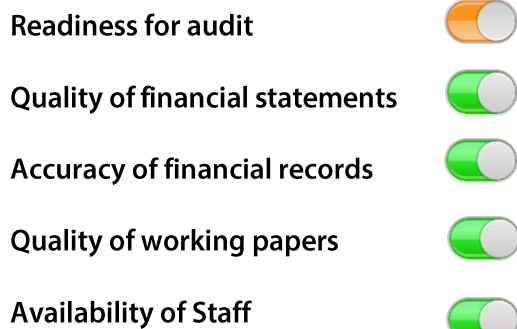
Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code of Audit Practice. The contents of this report should not be disclosed to third parties without our prior written consent.

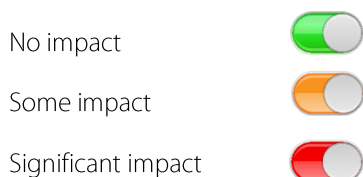
3. Audit and accounts process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.



Key (Impact on audit approach)



We invested significant time into the audit running as smoothly as possible. At the start of the audit, we held planning meetings with the finance team. During the final audit, we had daily calls with the finance team. In addition to this, the team had an on-site presence during both the final audit visits.

As a result of the investment made by both parties, the audit has generally proceeded very smoothly, although some areas have taken longer to audit than we had expected.

We are keen to continually improve our service and the effectiveness of the process and, therefore, will hold a debrief discussion with management to identify areas where this might be possible.

Readiness for audit

We were provided with a copy of the draft financial statements in line with the timetable agreed before the start of the audit and as outlined in our audit plan.

Information requested during the onsite fieldwork was generally provided promptly to our staff. This made the core audit work progress relatively smoothly, although there were delays in some areas. Most notable was in respect of the documentation requested in relation to IT controls, which we recognise is outside of the control of the finance team.

Quality of financial statements

The statement of accounts produced were of a good standard with significant variances and changes clearly explained to users of the financial statements. We have not identified any significant omissions from the draft financial statements.

The finalisation of the financial statements has not yet occurred to the ongoing items as set out in section 2.

Accuracy of financial records

The majority of the underlying financial records were accurate, agreed to the information provided in the audit file and were easy to understand.

Quality of working papers

The quality of the working papers and supporting evidence provided by the finance team was very good.

Availability of Staff

Key members of the finance team made themselves available to us throughout the audit where possible. We were kept informed of any instances when staff were not available.

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4. Audit risks

Management override of controls

Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management.
- tested journals with a material impact on the results for the year; and
- considered a sample of other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

The work on journals is largely complete, however we are still conducting work on the material journals at the year end. Apart from this, we have not identified any material errors from our work carried out to date.

Fraud in revenue recognition

Significant Risk

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Work done and conclusion

Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical framework of local authorities, including Cherwell District Council, mean that all forms of fraud are seen as unacceptable.

Fraud in expenditure recognition

Significant Risk

Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant.

We consider that the risk of fraud at the Council to be around the cut-off at year end.

Work done and conclusion

At the planning stage, we considered whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We concluded that this was not a significant risk for Cherwell District Council because:

- expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

Valuation of land and buildings

Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert;
- written to the valuer to confirm the basis on which the valuation was carried out; and
- formed our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

Our work on the valuation of land and buildings is still in progress. We have sent our initial queries to the valuer and await their response for us to be able to complete our work.

Significant Risk

There is a risk over the valuation of investment properties due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert;
- written to the valuer to confirm the basis on which the valuation was carried out; and
- form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

Our work on the valuation of investment properties is still in progress. We have sent our initial queries to the valuer and await their response for us to be able to complete our work.

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Significant Risk

There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;
- considered the accuracy and completeness of the information provided to the actuary;
- carried out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Oxford Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work in this area is ongoing.

We also considered whether a material onerous funding liability existed at 31 March 2024 and whether there was an impact on the prior year. An additional liability of £7.65m was identified as at 31 March 2024 with no impact on the 2023 position. This has not yet been updated in the accounts, although management are in the process of doing so. See section 5 for more details.

5. Other audit and financial reporting matters

Valuation of the Pension Fund

The macro-economic environment has had a significant effect on the actuarial valuation of the Council's share of Local Government Pension Scheme, with deficits reported by the Council's actuary through their IAS 19 report reducing significantly in each of the last two years.

Across the Local Government Sector accounting surpluses have become more prevalent. IFRIC 14 provides guidance from the International Financial Reporting Interpretations Committee on the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liability needs to be recognised in respect of onerous funding commitments. The sector-wide approach to applying IFRIC 14 has developed over the last year as IAS 19 surpluses are becoming more common. This has resulted in some actuaries revising their approach when producing 'asset ceiling' calculations that adopt the principles set out in IFRIC 14.

Due to the Council not having had an external audit in 2022/23, it had not been aware of this emerging issue and had not requested an asset ceiling report from its actuary. On production of the asset ceiling report for the valuation as at 31 March 2024 the Council's actuary, Hymans Robertson, determined that an additional liability of £7.65m should be recognised to reflect an onerous funding commitment that results from the Council's commitment to make secondary contributions over the funding horizon period set out at the Triennial Valuation. This had not been reflected in the draft financial statements.

We asked the Council to get confirmation from the actuary whether an onerous funding commitment applied as at 31 March 2023. The Council provided evidence that they believed supported that there would not be an impact as at 31 March 2023. We reviewed this evidence and were satisfied that the Council's conclusion is correct and that there is no impact on the liability at 31 March 2023.

An additional liability of £7.65m was identified as at 31 March 2024 with no impact on the 2023 position. This has not yet been updated in the accounts, although management are in the process of doing so.

6. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2024:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Additional pension liability due to onerous funding commitment (£7,650k)	TBC	TBC	TBC	TBC
Actuarial Remeasurement				
Total				

Misclassifications and adjustments to disclosures

Since the audit is still ongoing, there are some outstanding queries which may lead to some recommendations for misclassification and adjustments to disclosures. However, at this stage, we have not yet identified any misclassifications and adjustments to report.

Unadjusted items

Since the audit is still ongoing, there are some outstanding queries which may lead to some potential un-adjusting items. However, at this stage, we have not yet identified any un-adjusting items to report.

7. Management letter points and internal control systems

The Council’s management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Those Charged with Governance that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.




Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.




Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

Current Year Issues

Housing benefit payments	
<p>During our expenditure cut off testing, we noted Housing benefit payments which straddle the year end were not being correctly accrued and recognised in the correct period. This was discussed with management who acknowledge that whilst this should be done, they believe the impact on the financial statements is immaterial.</p> <p><i>We are currently waiting for management’s analysis to confirm that this is the case.</i></p>	<p><u>Recommendation</u></p> <p>We recommend an exercise is undertaken to identify which housing benefit payments should be accrued each year.</p> <p><u>Management comment</u></p> <p>The council recognises that it does not follow the usual accruals process in relation to Housing Benefit Expenditure claims that cross over the year end date. This is due to the requirements for subsidy claims to be based on the housing benefit paid out in that financial year, irrespective of the financial year the claim related to. Therefore the council does not make an accrual so that the income recognised for the subsidy claimed from central government matches the expenditure from Housing Benefit payments. The council has performed an analysis of the impact on 2023/24 if the accruals had been made, which indicates that it would have increased expenditure by £67k, which is not material.</p>

Employee Contracts	
	
<p>We sample tested thirty employees substantively back to original contract documentation. Six of the contracts that we tested had not been signed.</p>	<p><u>Recommendation</u></p> <p>The Council should ensure that all employee contracts have been signed by both parties.</p> <p><u>Management comment</u></p> <p>Whilst there are some employees the council does not have a signed contract for, these employees are working to the terms and conditions of the contract of employment. The council has recently moved to a new recruitment process through the ITrent system and all contracts now require a signature to move forward.</p>

Right to work documents	
	
<p>In our testing of the thirty employees, four employees did not have appropriate ID or right to work documentation in their personnel files. This was discussed with management who confirmed this was due to their length of service.</p>	<p><u>Recommendation</u></p> <p>The Council should ensure that appropriate right to work documents are kept for all employees.</p> <p><u>Management comment</u></p> <p>For some employees that have worked at the council for a longer period of time, we do not have right to work documentation. The council has since changed the process to be much tighter to ensure right to work documentation is obtained, and HR has taken an action to contact the employees where this documentation is missing and ensure it is obtained.</p>

8. Other matters

Other information

We are required to give an opinion on whether the other information published with the audited financial statements (for example, the Narrative Statement and Annual Governance Statement) is materially inconsistent with the financial statement or our knowledge as obtained during the audit.

We have nothing to report in this respect.

Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

Our work has not identified a material uncertainty related to going concern. We are satisfied that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified 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 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 asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have not identified any significant weakness and the results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have received the group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will complete this work alongside the conclusion of our audit work.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue the audit certificate until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2023/24 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2023/24	175,188	175,188
Fee variation for additional procedures in relation to the revision to ISA 315	TBC	11,995
Group audit procedures	TBC	TBC
Total (excluding VAT)	175,188	TBC

We can confirm that we have not undertaken any non-audit work at the Council during the year.

9. Audit backlog update

On 9 September 2024, the Secretary of State for MHCLG laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. This came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its accountability statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or **before 28 February 2025**.

This follows on from proposals from the Department for Levelling Up, Housing and Communities (DLUHC) outlined a comprehensive plan before the general election which involved three key phases to address the audit backlog and reform the local audit process:

1. **Reset Phase:** This phase focuses on clearing the backlog of audits up to the financial year 2022/23 by a proposed backstop date. Auditors would be required to issue opinions based on the work completed at a backstop date, even if it means providing modified or disclaimed opinions due to the tight deadlines.
2. **Recovery Phase:** Following the reset, this phase aims to stabilize the audit process and prevent future backlogs by setting clear backstop dates for subsequent years. The goal is to ensure that audits are completed timely while maintaining auditor independence and compliance with auditing standards.
3. **Reform Phase:** This long-term phase addresses systemic challenges within the local audit system. It includes measures to enhance auditor capacity, improve financial reporting standards, and ensure sustainable and timely audits. The Financial Reporting Council (FRC) and other system partners will play a crucial role in implementing these reforms.

The intention when this plan was issued was that the backstop date for 2022/23 audits would be 30 September 2024. The general election delayed the finalisation of plans and supporting changes in legislation and guidance required. The first backstop date has now been set as 13 December 2024 to clear the backlog of unaudited accounts up to and including financial year 2022/23.

The legislation includes five further backstop dates up to and including financial year 2027/28 to allow for a phased return to a timely audit sign-off. The proposed backstop dates are:

- FY up-to-and-including 2022/23: 13 December 2024
- FY 2023/24: 28 February 2025
- FY 2024/25: 27 February 2026
- FY 2025/26: 31 January 2027
- FY 2026/27: 30 November 2027
- FY 2027/28: 30 November 2028

Appendices

1. Letter of representation

Bishop Fleming LLP
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
Devon
PL4 0BN

[Date]

Dear Sirs

Cherwell District Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Cherwell District Council (the Council) financial statements (and its subsidiary undertakings) for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the group and the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the group and the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the group and the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the group and the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The group and the Council has satisfactory title to all assets and there are no liens or encumbrances on the group and the Council's assets, except for those that are disclosed in the notes to the financial statements.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the group and the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

11. Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the group and the Council's financial and operating performance over the period covered by the Council's financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

.....

Signed on behalf of the Accounts, Audit and Risk Committee of Cherwell District Council

[Date]

Draft

2. Required communications with the Accounts, Audit and Risk Committee

Under the auditing standards, there are certain communications that we must provide to the Accounts, Audit and Risk Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a 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 fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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Auditor's Annual Report - Draft

Cherwell District Council

For the year ended 31 March 2024



Date: 10 January 2025

Members of the Accounts, Audit and Risk Committee
Cherwell District Council
Bodicote House
Bodicote
Banbury
OX15 4AA

Dear Sirs and Madams

Cherwell District Council – Auditor’s Annual Report

We are pleased to attach our draft Auditor’s Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Directors and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council’s officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style. A large, light grey watermark with the word "DRAFT" is visible diagonally across the page, partially overlapping the signature.

BISHOP FLEMING LLP

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cherwell District Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible for putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified 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 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 carried out our work in accordance with our External Audit Plan that we issued to the Council in March 2024.

2. Executive summary

Results from the audit of the financial statements

Our audit of the financial statements is currently in progress. We anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances, due to the prior year financial statements also being disclaimed by the previous auditor.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return.

We have issued this report as draft as these procedures have not been finalised. We will issue a final version to confirm when both of these matters have been resolved.

See section 3 for more details.




Results on our work on other matters

Our review of other matters is in progress at the time of drafting this report. There are no issues on our work carried out to date. See section 3 for more details.




Results from our work on VFM arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weaknesses in the Council's arrangements for financial sustainability. We have identified one improvement recommendation. See section 8 for details
Governance		We did not identify any significant weaknesses in the Council's governance arrangements. We have also not made any recommendations.
Improving economy, efficiency and effectiveness		We did not identify any significant weaknesses in the Council's arrangements for improving efficiency, economy and effectiveness. We have also not made any recommendations.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is currently in progress. Subject to the satisfactory finalisation of the work, we anticipate issuing a disclaimed audit opinion due to the lack of assurance over opening balances, as the prior year financial statements were also disclaimed by the previous auditor.

Key issues arising from the accounts audit

We asked the Council to request an Asset Ceiling Report from the actuary to determine whether there was an additional liability resulting from past service contributions. This identified an additional liability of £7.65m in 2023/24 that needs to be recognised in the financial statements.

Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Our work on other matters is currently in progress, there are no issues to raise at this time.

More detailed findings can be found in our Audit Completion Report which was reported to the Accounts, Audit and Risk Committee on 15 January 2025.

4. Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified 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 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.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

The Council reported a balanced position on the general fund in its 2023/24 outturn report to the Executive on 10 June 2024. The balanced position was after a transfer to reserves of £4.461m, demonstrating a surplus having been achieved before the reserves transfers.

Financial planning and monitoring

The Council keeps its forecast financial position under review throughout the year with monthly monitoring reports to the Executive covering revenue and capital performance. The monitoring highlights the major budget variances, setting out the reasons for the variance and any remedial actions where necessary.

The Medium-Term Financial Strategy (MTFS) was presented to the Council on 27 February 2023 and identified year on year funding gaps of £4.687m for 2024/25, £13.078m for 2025/26, £0.966m in 2026/27 and (£0.153m) in 2027/28. This represents a cumulative funding gap of £18.565m over the MTFS period. These deficits increased because of assumed funding reforms to take effect with funding not increasing as costs continue to rise.

When the 2024/25 budget was set in February 2024, the updated MTFS year on year funding gaps were £6.909m in 2025/26, £4.294m in 2026/27, £3.198m in 2027/28 and (£0.863m) in 2028/29. This is a cumulative funding gap of £13.539m.

Currently, the Council has sufficient reserves to address any potential future deficits, and they continue to develop options for closing the future budget gaps.

Achieving efficiency savings

The Council's 2023/24 Budget Setting Report set out a proposal for savings of £1m to be made across directorates, with a detailed breakdown of schemes included as an appendix to the report. The monthly monitoring report sets out savings non-delivery at a directorate level where that is a contributory factor to a variance, with a more detailed report going to Corporate Leadership team that RAG rates the savings delivery for each Directorate.

The Council reported in its Performance, Risk and Finance Monitoring end of year report that there was non-delivery of savings of £0.198m in 2023/24. This did not have a detrimental impact on the outturn position due to significant underspends on base budgets, leading to an overall surplus of £4.461m. The savings non-delivery was reported at a directorate level in the report but does not include a comparison of the delivery against the detailed savings plan from the original budget setting report appendix.

We consider that the Council's arrangements for the monitoring of savings during the year are further developed than many other councils, however we feel that they could be further enhanced if the savings achieved in the year were reported against the original detailed proposals. This would highlight to members which of the proposed schemes were successfully delivered within each directorate. We have included an improvement recommendation in respect of this.

2024/25 financial planning

The budget setting process starts with the budget holders at service level reviewing their performance in the previous financial year. Budget challenge meetings take place with Finance and Human Resources (HR) staff working with budget holders. A balanced 2024/25 budget was approved by the Council on 26 February 2024. This included planned contributions from reserves of £3.4m, the majority of this (£3.2m) being capital reserves. The budget also includes proposed savings of £1.8m.

The financial planning assumptions feeding into the 2024/25 budget are based on assumptions captured by the MTF5. Considerations of these risks appear to be appropriately scrutinised as they are considered by the Business Planning Meeting as part of the financial planning process.

We also noted that the Council aligns its financial plans with its capital plans and ensures that workforce issues are considered with Human Resources representation as budget challenge meetings.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made a recommendation for improvement at section 8.

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6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Council's Risk Strategy clearly defines how risks are managed and reported within the Council and is reviewed annually by the Accounts, Audit and Risk Committee.

The risk reporting in place covers strategic risks detailing the lead member, risk owner and risk manager. For each risk identified, the risk report details the RAG rating, the inherent risk, controls in place to mitigate the risk and any further comments on the management of the risk.

The Performance, Risk and Financial Monitoring Report is received monthly by the Executive and senior management, and quarterly by the Accounts, Audit and Risk Committee. Any comments or updates are noted, and each risk is updated regularly, before an update is given to the Council.

The Council's Governance Structure is made up of the Full Council and the Executive, supported by a number of Committees which have delegated responsibility for their areas. This allows for reliable and direct channels of communication in order to report any risks.

Internal control

The Council's Internal Audit was provided by Oxfordshire County Council in 2023/24, who have a representative at each of the Accounts, Audit and Risk Committee meetings to present any findings. The Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review the Accounts, Audit and Risk Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2023/24 financial year and the Head of Internal Audit opinion stated that the Council has a satisfactory overall control environment and arrangements for governance, risk management and control.

The Counter Fraud Strategy is presented annually to the Accounts, Audit and Risk Committee. There is a named Counter-Fraud lead for the Council who reports progress against the plan to the Committee.

The Accounts, Audit and Risk Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Budget setting and budgetary control

Budgets are developed by identifying significant pressures, changes in funding, and anticipated expenditure by the Council. When developing the budgets, the most probable scenarios are used as assumptions whilst alternative options are also considered and presented to the Business Planning Meeting. Proposed savings go out to a public consultation before the

Executive propose the budget to Full Council. Once the budget has been set, budget holders sign up to accept responsibility of the budgets they are responsible for.

Budget monitoring takes place on a monthly basis. Budget holders are held responsible for their budgets and are expected to provide mitigations for any variances. The monthly reports contain relevant non-financial information included, which helps to support any variances that are reported.

Decision making

All reports presented to members have been approved by Finance, Legal, Risk and Sustainability departments. The reports include alternative options that have been considered and are written by the appropriate Directorate for the area. Any formal decisions are reviewed by the Executive Committee before being presented to full Council. This is in line with best practice.

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the Council's constitution and the Employee Code of Conduct. These set out the expectations for the behaviour of officers and promotes best practice, including the requirements to follow Nolan's Seven Principles of Public Life.

Attendance at Accounts, Audit and Risk Committee and minutes reviews have confirmed that the Committee holds officers and the Executive to account and provides effective challenge.

Ensuring appropriate standards

We have been informed that there have been no instances of significant non-compliance within the year. Throughout our review, we have not identified anything that has contradicted this.

Treasury management decisions are made in line with the Treasury Management Strategy, which is reviewed annually by the Accounts, Audit and Risk Committee. There is no evidence from our work indicating any non-compliance with capital or other statutory requirements.

The Council's Employee Code of Conduct and further specific policies outline the expected behaviours throughout the Council. Non-compliance throughout the Council is monitored by Statutory Officers and the HR department enforce mandatory training on relevant topics.

The Council has other appropriate policies and procedures in place to ensure appropriate standards are maintained. These include the Counter Fraud, Corruption and Bribery Policy and the Gifts and Hospitality policy.

Elected Members declarations of interest are publicly available on the page with each member's contact details. The declarations of interest published are made in line with the relevant regulations and the LGA model Code of Conduct expectations. Arrangements for making a declaration of interest are in place at the beginning of all formal Council and Committee meetings.

We are satisfied that the Council has appropriate arrangements in place to monitor compliance with legislation and regulatory requirements.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements.

Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Council reports its performance against its priorities to the Executive on a monthly basis. The Performance, Risk and Finance Monitoring Report provides the Executive with a detailed assessment of performance in delivering its priorities, managing potential risks and balancing its finances. The report monitors the reasons for movements to identify areas for improvement and makes recommendations as appropriate

The Council has access to local area benchmarking tools, including CFO Insights, LG Inform and Local Insight, and are currently looking to produce benchmarking reports which connect to the performance management system. The Council also use local networks through the Publica arrangements to benchmark their performance against local councils to identify key areas of focus for the improvement of services. There is clear collaboration with other councils to improve overall performance.

The LGA Corporate Peer Challenge carried out in December 2022 provided detailed for areas of improvement and guidance on the approach to be taken. The Council have an action plan in place for the delivery of the recommendations, with a number of recommendations having been implemented. A progress review follow up was carried out by the LGA in February 2023, which noted the positive progress being made by the Council, further demonstrating that the Council has fully engaged in the process.

There is evidence that the Council reviews and challenges the cost effectiveness of activities through its performance management framework. It has also started a transformation process. An example of this is the Environmental Services review. The review considered the current service delivery, including the cost, productivity and performance and then provided alternative delivery models. Some recommendations coming out of the review were included in the 2024/25 budget consultation, with others being consulted on for implementation during the Medium-Term Financial Strategy period. All services will be covered by the transformation process.

The Accounts, Audit and Risk Committee receive recommendations from Internal Audit. This reporting includes tracking of the target implementation dates for open recommendations. Internal Audit send monthly emails to Assistant and Corporate Directors detailing all open recommendations to ensure that any delays in implementation can be followed up. There is good evidence of the Council implementing internal and external audit recommendations.

Partnership working

The Council have established appropriate governance arrangements for key partnerships, with an example being Bicester Garden Town. The Council works with Oxfordshire County Council, Homes England, developers and other stakeholders on this partnership. There is an Officer Programme Board (OPB) consisting of officers from Cherwell and the County Council. The Strategic Oversight Partnership (SOP) provides oversight of the project, the SOP includes Councillors from Cherwell DC, Bicester Town Council and the County Council, along with other stakeholders including Homes England and the Oxford LEP. It is then also attended by the officers from the delivery side of the arrangement. This demonstrates how the Council effectively monitors the partnership work.

The Council has subsidiary companies of Graven Hill Village Holdings Ltd and Crown House Banbury Ltd, which have their own associated subsidiary companies. The companies report quarterly to the Shareholder Committee which is how members are informed of how the companies have performed against the objectives in their business plans.

Commissioning and procuring services

The Council's Procurement Strategy was approved in October 2023. Guidance, procedures and templates are made available to all officers and ensures that standards are met. These are updated to ensure compliance with relevant policies and legislation. Procurements are overseen by legal and procurement teams to ensure compliance with the laws and procedures. We have not identified, and have not been made aware, of any instances of the Council failing to operate a fair procurement exercise on significant contracts.

The Council monitors the performance of service providers and takes action to resolve issue when they arise. An example of this are the arrangements for monitoring the performance of the Parkwood Leisure Centre, which includes reviews of key performance indicators, construction issues, and customer feedback.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.

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7. Recommendations

KEY:




Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Reporting of financial savings	
	
<p>The supporting papers for the 2023/24 budget included a schedule detailing the proposed saving schemes. The monitoring and reporting of savings achieved are at Directorate level and do not set out the details of which savings were achieved compared to the budget.</p>	<p><u>Recommendation</u></p> <p>The reporting of savings achieved in the year could be further enhanced by reporting the outturn position against the original proposed savings schemes within each directorate that were included in the budget.</p> <p><u>Management comment</u></p> <p>The council does currently include high level reporting on savings delivery/non-delivery in the monthly finance reports to Executive at the directorate level and, where relevant, in the detailed revenue narratives explaining forecast variance to budget. However, we recognise that there is room to improve the clarity and granularity that is reported to members and will explore how the reporting could be improved.</p>



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