

**SUPPLEMENTARY INFORMATION****Accounts, Audit and Risk Committee****19 November 2025**

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
9.	(Pages 3 - 34)	External Audit Reports 2024/25 – Appendix 1	Assistant Director Finance, S151 Officer	Appendix being finalised at time of agenda publication

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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For the year ended 31 March 2025



Date: 11 November 2025

Accounts, Audit and Risk Committee
Cherwell District Council
39 Castle Quay
Banbury
OX16 5FD

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 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 Audit Limited

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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 2024/25; 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. Subject to the satisfactory finalisation of these points, we anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances in 2023/24, resulting from the opinion on the 2022/23 financial statement being disclaimed by the previous auditor.

Key audit issues

Within our Audit Plan which was presented to the Accounts, Audit and Risk Committee in March 2025, 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 significant risks highlighted were as follows:

- Management override of controls;
- Valuation of land and buildings;
- Valuation of investment properties and
- Valuation of the pension fund net liability.

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

Audit Adjustments

No audit adjustments have been identified in our work to date.

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 5 to this report.

Management Letter Points and Internal Control Matters

A number of 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 2025. The Code 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	£2,727k
Cherwell District Council	2% of gross expenditure	£2,193k

The level of materiality in our Audit Plan was based on the prior year audited financial statements. Therefore, we have updated materiality to reflect the actual figures reported in the 2024/25 draft statement of accounts.

Anticipated audit report

We issued a disclaimed opinion on the Council's financial statements for 2023/24 due to a lack of assurance over the opening balances. This resulted from the previous auditor issuing a disclaimed opinion in 2022/23, after carrying out no substantive audit work on the financial statements. The lack of assurance over the opening balances in the 2023/24 comparative year means that we will be issuing a disclaimed opinion again on the financial statements of Cherwell District Council for the year ended 31 March 2025. We are planning to rebuild assurance over subsequent audit years, with the aim of getting the Council to an unqualified opinion in 2026/27, see section 8 for more details.

Letter of Representation

The draft letter of representation is attached at Appendix 1.

Update on our planned approach

Our audit work was 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 is substantially complete although we are finalising our procedures in the following areas:

- Testing of business rate reliefs
- PPE Valuations – review of responses to queries from the valuer
- Investment property valuations - review of responses to queries from the valuer
- Documentation and testing of IFRS16
- Consideration of the paperwork for the reduced interest rate loan to Crown House Banbury
- Completion of group audit procedures
- Final senior review of workings papers and the accounts

We will also need to complete the following tasks as part of our usual completion procedures:

- Consideration of any post balance sheet events prior to opinion being issued
- Final review of the financial statements
- Confirmation of the approval of the financial statements by the Council
- Receipt of the signed management representation letter

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. The contents of this report should not be disclosed to third parties without our prior written consent.

3. Accounts and audit 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.

	2023/24	2024/25
Readiness for audit		
Quality of financial statements		
Accuracy of financial records		
Quality of working papers		
Availability of Staff		

Key (Impact on audit approach)

None or limited impact	
Some impact	
Significant impact	

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 wider finance team in addition to our key contact.

Despite the key audit contact at the Council leaving during the first two weeks, the audit has generally proceeded very smoothly, with the engagement and responsiveness of the wider finance team being a key factor in this.

We remain keen to continually improve our service, and the effectiveness of the process, and 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.

There was an initial delay in information requests being turned around, due to the key contact for the audit leaving the Council. This was resolved once his replacement was in place, and the wider finance team also became directly included in the audit process. From this point, the core audit work progressed relatively smoothly with information requested during the onsite fieldwork generally provided promptly to our staff.

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.

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

As in 2023/24, the quality of the working papers and supporting evidence provided by the finance team was very good.

Availability of Staff

The key contact for the audit left the Council in August 2025. This impacted this individual's availability at the start of the audit, while they completed handover arrangements with an interim replacement and dealt with other responsibilities before they left. This led to some initial delays, but the catch-up calls were then expanded to the new interim key contact and the wider finance team. The engagement of the wider finance team in the audit process worked well and we would be keen for this arrangement to continue in future years.

4. Audit risks

Significant 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 • tested 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. We have not identified any material errors from our work carried out.

Significant Risk

There is a risk over the valuation of these assets 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;
- confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- reviewed the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we assessed how management has satisfied itself that these assets are not materially different from the current value at the year-end;
- reviewed the accuracy and completeness of information provided to the valuer, such as floor areas;
- tested a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; 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 in this area is currently in progress.

Significant Risk

There is a risk over the valuation of these assets 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;
- confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- reviewed the appropriateness of assumptions used in the valuation of investment properties;
- reviewed the accuracy and completeness of information provided to the valuer, such as floor areas;
- tested a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; 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 in this area is currently in progress.

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;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from 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 Oxfordshire 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 findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2025. Before consideration of the impact of an asset ceiling, the pension valuation has moved from a net deficit of £15.1m to a net surplus position of £8.8m.

The key driver of that change was the increase in the discount rate used by the actuaries, which results in a decrease in the net present value of your share of the scheme liabilities.

Key assumptions	2023/24	2024/25
Discount rate	4.8%	5.8%
CPI / pension increase assumption	2.8%	2.8%
Salary increases	2.8%	2.8%

Under IFRS, additional guidance is provided in IFRIC 14 on the extent to which a defined benefit pension asset should be recognised. The actuary has produced an asset ceiling report that demonstrates that by following the guidance in IFRIC 14 none of this asset should be recognised and a liability of £25.7m is recognised instead. This adjustment effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

A further £2.3m liability (2023/24: £2.6m) is recognised in relation to the unfunded obligation, resulting in a net liability recognised of £27.9m (2023/24: £22.7m).

We have not identified any material errors from our work carried out.

As part of our planning, we rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

Other risks:

Implementation of IFRS 16 Leases

Other risk

2024/25 will be the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Council for the incremental borrowing rate.

From discussions with officers the risk of material misstatement at Cherwell District Council is expected to be minimal based on the value of the estimate and its sensitivity to changes in assumptions. Therefore we do not consider this to be a significant risk, but as this is the first year of implementation, we have included this as an 'other risk' in our Audit Plan.

Work done and conclusion

To address this risk, we have:

- Documented our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls;
- Reviewed the appropriateness of assumptions used in calculating the estimate;
- Reviewed the completeness and accuracy of the data gathering exercise;
- Confirmed the appropriateness of application of exemptions for existing contracts such as short term and low value leases;
- Reviewed the required transitional disclosures and the application of the adjustment to the opening balances; and,
- Tested a sample of leases for accuracy in calculating the right of use asset and lease liabilities.

The implementation of IFRS 16 resulted in Right of Use assets of £8.5m being brought onto the balance sheet at 1 April 2024, with the balance at 31 March 2025 being £8.6m.

Our work in this area is in progressing at the time of drafting this report.

5. 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 2025:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
None at the time of drafting this report				
Total				

Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Adjusted?
General	We identified a small number of minor presentational and disclosure errors that management have corrected.	✓

Unadjusted items

The table below provides details of adjustments identified during the 2024/25 audit which have not been made within the final set of financial statements. The Accounts, Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below. (These are also set out in the Letter of Representation.)

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Cherwell District Council's share of the net understatement of pension fund assets reported by the auditor of Oxfordshire Pension Fund.			245	245
Extrapolated error – Our testing identified one housing benefit case where full benefit had been awarded, which was not supported by the evidence held by the Council.		687		687
Total		687	245	932

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year which had not been made within the final set of 2023/24 financial statements. We do not consider these to impact on the 2024/25 audit.

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Repairs and Maintenance	118			
Other debtors				118
<i>Extrapolated error identified during other debtors testing</i>				
Accruals			158	
Management Fee		158		
<i>Extrapolated error identified in other expenditure testing, driven by the management fee accrual difference</i>				
Grants received in advance			241	
Grant income		241		
<i>Extrapolated error identified on grants received in advance – driven by the planning skills delivery grant which should have been recognised in the year</i>				
PPE				136
Revaluation Reserve			136	
<i>Extrapolated error identified during PPE testing, driven by difference in NIA of the Bodicote House Floor plan</i>				
Total	118	399	535	254

6. 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 Accounts, Audit and Risk Committee as '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

Journal with blank description	
	
Our journals testing identified an instance where one side of the journal was blank. We confirmed that the other side of the journal had appropriate narrative entered.	<u>Recommendation</u> Management should ensure that the narrative field has been completed on all journals. <u>Management comment</u> Agreed, officers will remind users to complete both fields when posting manual journals and approvers will be reminded to return manual journals presented without both fields completed back to the originator to rectify.

Intangible assets	
	
The intangible assets note in the Council's accounts does not disclose the gross values of assets that are fully depreciated. This meant that disposals of these assets are disclosed as nil in the note.	<u>Recommendation</u> Management should enhance the disclosure of intangible assets so that gross values are shown for fully depreciated assets. <u>Management comment</u> Agreed, officers will endeavour to introduce this for the 2025/26 statement of accounts.

Housing benefit payments	
	
Our testing of a sample 20 housing benefit payments identified one case where the claimant had been awarded full benefit but the supporting evidence did not support this. The claimant was no longer on a “passported” benefit that would entitle them to full housing benefit. The claim has been reassessed, with the claimant being entitled to a lower level of benefit.	<u>Recommendation</u> Management should ensure that checks and controls are in place to ensure that when claimants are no longer in receipt of a passported benefit they are reassessed appropriately. <u>Management comment</u> Following a review, this was an isolated issue that resulted in a claim being reinstated due to an understanding that an incorrect notification was received from Government. To prevent the chances of any suspensions being lifted incorrectly in the future, we will complete a matching exercise with Pension Credit Termination information received and the end date of Pension Credit on the claim. This will ensure that any terminations received have an end date on the claim.

Prior Year Issues – Unresolved

Employee Contracts	
 We sample tested thirty employees substantively back to original contract documentation. Six of the contracts that we tested had not been signed.	<u>2023/24 recommendation</u> The Council should ensure that all employee contracts have been signed by both parties. <u>2023/24 management comment</u> 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. <u>2024/25 update</u> Our substantive testing of employees identified six out of our sample of thirty where the contract had not been signed. <u>2024/25 management comment</u> As per 2023/24 response.
Journal posting dates	
 When completing our journal testing, we noted that for some manual journals, the effective date of the journal is documented. The default date is the posting day which is not always updated to reflect the date in which the journal relates.	<u>2023/24 recommendation</u> We recommend that journals are dated to reflect the day in which the journal relates. <u>2023/24 management comment</u> The Council will consider the benefits of adjusting the effective dates of manual adjustments. <u>2024/25 update</u> Our journal testing has confirmed that the position remains unchanged. <u>2024/25 management comment</u> We considered and decided that, for the journal type in question, the benefit of maintaining the dates as they are is more beneficial to users.

Record keeping for some older grants	
	
During our grants received in advance testing, we noted for any grants which were received prior to 2013 – there are limited / zero records on the movements on these grants between initial receipt and 2013. We acknowledge that these are historic issues which are difficult to rectify as they issues relate to weak record keeping before the employment of the current finance team. We acknowledge that there are now better record keeping processes for these grants in place.	<u>2023/24 recommendation</u> For any older grants received prior to 2013, we recommend that any gaps are bridged in record keeping as much as possible whilst maintaining your current record keeping system <u>2023/24 management comment</u> The council continues to review and expand its record of historic receipts in advance and, as noted, better record keeping procedures are now in place. <u>2024/25 update</u> Our testing of grants received in advance identified one S106 grant where the original agreement was not available. <u>2024/25 management comment</u> As per 2023/24 response.

Prior Year Issues – Resolved

Housing benefit payments	
	
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.	<u>2023/24 recommendation</u> We recommend an exercise is undertaken to identify which housing benefit payments should be accrued each year. <u>2023/24 management comment</u> 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. <u>2024/25 update</u> We have followed this up and confirmed that there is no significant impact in 2024/25. We consider this issue to be resolved.

Right to work documents	
	
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.	<u>2023/24 recommendation</u> The Council should ensure that appropriate right to work documents are kept for all employees. <u>2023/24 management comment</u> 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. <u>2024/25 update</u> Our substantive testing of employees did not identify any instances where right to work documentation was not held on file. This issue is resolved.

Infrastructure assets	
	
During our physical verification testing, we had requested evidence that one of the infrastructure assets held on the PPE listing still exists and is in use. No such evidence of was able to be provided as the council did not know where this paving was located. This leads to a risk that fixed assets are overstated.	<u>2023/24 recommendation</u> We recommend a review of the infrastructure assets held is undertaken to ensure that all of these items held as part of PPE still actually exist and remain in use. <u>2023/24 management comment</u> Agreed. <u>2024/25 update</u> A review of infrastructure assets has been carried out with a number of assets being removed from the Fixed Asset Register in the year. This issue has been resolved.

Review of older S106 balances held within receipts in advance	
	
During our grants received in advance testing, we picked a S106 grant as part of our sample and requested supporting information for the deferred amount. It was identified that this item should have been utilised in the year and should not have been carried forward.	<u>2023/24 recommendation</u> We recommend a review of all older S106 grants held within the grants received in advance schedule to ensure that amounts held are still appropriate. <u>2023/24 management comment</u> The Council continues to review and expand its record of historic receipts in advance and, as noted, better record keeping procedures are now in place. <u>2024/25 update</u> Our testing of S106 grants in 2024/25 did not identify any issues with the amounts held.

7. Building back assurance

The Council's 2022/23 financial statements were given a disclaimed opinion by the predecessor auditor, with no substantive work having been carried out. As a result, we did not have assurance over the opening balances for the 2023/24 audit and issued a disclaimed opinion on the Council's financial statements for 2023/24.

We have been developing our approach to building back assurance over the Council's financial statements, with the plan being to get to an unqualified audit opinion in 2026/27.

Our approach is being developed in accordance with the National Audit Office Local Audit Reset and Recovery Implementation Guidance (LARRIG), in particular *LARRIG 05 – Rebuilding of assurance following a disclaimed audit opinion* and *LARRIG 06 – Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions*.

In the table below we have set out our plan to get to an unqualified opinion for Cherwell District Council in 2026/27, which is consistent with the illustrative timescale set out in *LARRIG 01 – General arrangements supporting guidance for auditors in implementing the reset and recovery*:

2023/24	2024/25	2025/26	2026/27
Opinion: Disclaimed	Planned opinion: Disclaimed	Planned opinion: Qualified	Planned opinion: Unqualified
Audit work carried out: All audit procedures, including work on PPE valuations for Council's assets revalued in year as part of the 3-year valuation programme.	Audit work carried out: All audit procedures, including work on PPE valuations for Council's assets revalued in year as part of the 3-year valuation programme.	Audit work planned: All audit procedures, including work on PPE valuations for Council's assets revalued in year as part of the 3-year valuation programme.	Audit work planned: All audit procedures.
Build back work: Initial build back planning, including analytical procedures on 2022/23 balances, reviewing predecessor auditor working papers and developing the plan to build back assurance	Build back work: Detailed risk assessment procedures for building back assurance	Build back work: Additional risk assessment procedures Build back detailed assessments and procedures.	Build back work: None – all build back work planned for 2025/26.
Areas with no assurance: • 2023/24 opening balances • Assets not revalued in 2023/24 • Reserve balances	Areas with no assurance: • 2023/24 opening balances • Assets not revalued in 2023/24 and 2024/25 • Reserve balances	Areas with no assurance: Lack of sufficient, appropriate evidence over comparative figures, due to previous disclaimed opinions, but the potential effects on the final statements are not deemed to be pervasive.	Areas with no assurance: None

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 2025. The Code 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 weaknesses 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 not yet completed the limited procedures required in the National Audit Office's group instructions in respect of our work on the Council's WGA submission. This will be done alongside issuing the audit opinion on the Council's accounts.

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 will be unable to issue our audit certificate alongside the auditor's opinion on the accounts until we have received 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 2024/25 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2024/25	190,874	190,874
Review of implementation of IFRS 16	TBC	6,001
Additional procedures in respect of the new ISA600 – Group audits	TBC	5,041
Detailed risk assessment procedures for building back assurance	TBC	11,626
Total (excluding VAT)	TBC	213,542

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

Appendices

1. Letter of representation

Bishop Fleming Audit Limited
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 2025

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 2025. 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 2024/25 (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]

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: • 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: • 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: • 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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