

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.

Readiness for audit	
Quality of financial statements	
Accuracy of financial records	
Quality of working papers	
Availability of Staff	

Key (Impact on audit approach)

No 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 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

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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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