

For the year ended 31 March 2026



Date: 21 September 2026

Audit and Governance 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

A handwritten signature in cursive script that reads "Bishop Fleming Audit Limited".

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 2025/26; 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 qualified opinion due to the lack of assurance over comparative figures arising from the previous disclaimed opinions, but the potential effects on the final statements are not deemed to be pervasive.

Key audit issues

Within our Audit Plan which was presented to the Audit and Governance Committee in March 2026, 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.

In addition to the risks identified in the Audit Plan, we also highlighted a further significant risk relating to the group accounts:

- Risk of fraud in revenue recognition in relation to the income in the Graven Hill Village Development Company Limited.

Our audit work is still ongoing in some of these areas and is further detailed in section 4 of this report.

We also completed procedures in relation to building back assurance over the disclaimed balances from 2024/2025. Further details are set out in section 8.

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 0 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 2026. 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 identified one significant weakness; 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	£2,324k
Cherwell District Council	2% of gross expenditure	£1,955k

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 2025/26 draft statement of accounts.

Anticipated audit report

The Council's financial statements for 2024/25 were given a disclaimed audit opinion due to lack of assurance over the opening balances, assets not revalued in 2023/24 & 2024/25 and reserves balances

There is a 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. As a result, we plan to issue a qualified opinion on the financial statements of the Council for the year ended 31 March 2026.

It is then expected that we will issue the Council with 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:

- PPE Valuations – receipt and review of responses from the valuer to additional queries
- Completion of build back assurance work
- Receipt and consideration of the assurance letter from the pension fund auditor
- 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.

	2025	2026
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 (Green)	
Some impact (Amber)	
Significant impact (Red)	

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. As a result of the investment made by both parties, the audit has proceeded smoothly. 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 enabled the core audit work to progress smoothly.

Quality of financial statements

The quality of the draft financial statements provided for audit was generally very good. The draft statements included £13m within directorate income in the Consolidated Income and Expenditure Account that related to the discount on the early repayment of a PWLB loan in the year. This should have been shown within financing and investment income but also excluded £1.5m of the discount. This is a complex accounting area, and it has not impacted on our rating on the quality of the financial statements. See sections 5 and 6 for more details.

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 needed. We were kept informed of any instances when staff were not available through a schedule of annual leave which was provided at the start of the audit.

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

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:

- held early discussions with key officers within the Council to ascertain how the Code changes required are being implemented and whether proposed actions are in line with the guidance;
- 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 the indices used to value these up the year end date;
- reviewed 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.
- for assets not formally revalued in the year, reviewed the indices selected by the Council to ensure they are:
 - verifiable;
 - relevant to the asset type and the location of the asset;
 - appropriate for 31 March; and,
- considered whether Indices have been applied to carrying amounts in accordance with the requirements of the Code, that the selection of accounting policies is reasonable and appropriate to the Council's circumstances and that accounting treatments have been applied consistently across asset types.

Our work in this area is currently in progress.

The Council revalued £73m of assets in the year as part of a 3 yearly revaluation programme, including £40m of material assets that the Council value every year. The Council assessed the impact of applying indexation to the £65.5m of assets not revalued and concluded that the effect was not material to the accounts, our work has confirmed this.

The total NBV of land and building assets at 31 March 2026 is £138.5m, a decrease of £2.6m from the prior year (£141.1m at 31 March 2025). The main drivers of the decrease were depreciation. The revaluation movement at the year-end is an increase of £1m.

Valuation of investment properties

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;
- 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 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 has not identified any material issues.

The total NBV of investment property assets at 31 March 2026 is £4.7m, an increase of £0.2m from the prior year (£4.5m at 31 March 2025). The revaluation movement at the year-end is a slight increase of £0.2m.

Valuation of the pension fund net liability

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, including specific assurances over the triennial valuation.

Our findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2026. Before consideration of the impact of an asset ceiling, the pension valuation on the LGPS has moved from a net surplus position of £11m to a surplus position of £13.6m.

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

Key assumptions	2024/25	2025/26
Discount rate	5.8%	6.2%
CPI / pension increase assumption	2.8%	3.0%
Salary increases	2.8%	3.0%

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 £14m is recognised instead. This adjustment of £27.6m effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

A further £2.1m liability (2024/25: £2.3m) is recognised in relation to the unfunded obligation, resulting in a net liability recognised of £16.1m (2024/25: £27.9m).

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

The assurance letter from the pension fund auditor has not yet been received.

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 for the income streams within the Council's single entity accounts 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.

However, we have not rebutted the risk of revenue recognition in the group accounts, with the income in the Graven Hill Village Development Company Limited being a significant risk.

We have carried out the following procedures:

- Carried out a detailed group risk assessment
- Met with the auditors of the subsidiary company at the planning stage to understand their assessment of the revenue recognition risk and their audit approach.
- Issued group instructions setting out our requirements, including in respect of the significant revenue risk.
- Held further meetings with the subsidiary auditor to understand the procedures they have carried out and carried out a remote file review of the key areas.

We met with the auditors of Graven Hill Village Development Company Limited at key points throughout the audit and have reviewed their work. We are satisfied that appropriate procedures have been carried out to address the risk of fraud in revenue recognition.

The draft group reporting has been received, which reports no issues were identified in respect of the risk of fraud in relation to revenue recognition.

There are no material issues arising from our work to date. We are awaiting the final group audit documentation from the subsidiary auditor to finalise our procedures.

As part of our planning, we rebutted the risk of 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).

5. Other audit and financial reporting matters

Prior Year Adjustment

During the audit an incorrect consolidation adjustment was identified in the prior year which resulted in the balances for Long Term Investments and Long Term Creditors being overstated by £9,533k in the 2024/25 Consolidated Balance Sheet. This occurred due to the adjustments required as a result of the reduction in the interest rate in the loan to Crown House Banbury to below market rate in the prior year which were reflected correctly in the individual entities, so the impact only affects the consolidation.

We have discussed this with management and agreed that a prior year adjustment is needed to correct the misstatement.

PWLB Early Repayment discount

The Council repaid a £25m PWLB loan in the year that was due to mature in 2071. PWLB offered a discount for the early repayment as interest rates have risen since the loan was taken out in 2021. This meant that the Council only had to pay £10.5m to settle the loan as a discount of £14.6m was given.

The draft financial statements included £13.1m relating to the PWLB discount within income to the Resources Directorate, meaning it was within Cost of Services line in the Consolidated Income and Expenditure Account, with £1.5m having been transferred to earmarked reserves.

Under the CIPFA Code, the discount should go to the financing and investment income and then be transferred from the General Fund Balance to the Financial Instruments Adjustment Account, with the discount be amortised by a release to the General Fund over 10 years.

This is a complex accounting matter and has required discussions with the finance team to determine the correct accounting treatment. See section 6 for the audit adjustments required.

Audit/Financial Reporting Matters

Changes to the CIPFA Code

The CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2025/26*, which applies to financial years commencing on or after 1 April 2025, introduced a revised approach to the valuation of non-investment property, plant and equipment.

Under the previous Code, assets measured at current value were required to be revalued where their carrying amount differed materially from current value at the reporting date. The revised Code requires relevant assets to be formally revalued either once every five years or through a five-year rolling programme, with annual indexation applied in the intervening years to keep their values materially up to date. Where a suitable index cannot be obtained without undue cost or effort, an authority is required to undertake a quinquennial revaluation supplemented by a desktop revaluation in year three.

The Council has currently adopted the latter approach, revaluing assets that were last revalued in 2022/23 plus some of its larger assets. It assessed applying indexation to the remaining assets but concluded that the impact was not material. The result is that all assets have been revalued in the last three financial years, meaning the Council only needs to apply indexation for the next two years (except for any assets that require revaluation due to specific circumstances) in order to remain compliant with the Code.

The revisions were driven by recommendations raised by HM Treasury's Thematic Review of Non-investment Asset Valuation. The objective of the revisions was to reduce the cost, complexity and audit effort associated with annual revaluations based on feedback received from authorities and auditors.

Therefore, in order to get the full benefit, the Council could consider the phasing of future valuations, so that the intended efficiencies for the year end process can be achieved.

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 (prior year)

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
Prior year adjustment to Group Consolidated Balance Sheet – see details in Section 5.			9,533	9,533
Total			9,533	9,533

Adjusted items (current year)

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2026:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Correct accounting treatment of PWLB discount received (see section 5)				
Resources Directorate income	13,129			
Financing and investment income		13,129		
Financing and investment income			1,456	1,456
General Fund Balance				
Duplicate S106 postings were made in the nominal ledger		473	473	
Total	13,129	13,602	1,929	1,456

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?
Movement in Reserves Statement (MIRS)	The MIRS did not cast correctly due to an imbalance of £53k.	✓
IFRS 16 & PPE Disclosure Notes	The deprecation disclosed in the PPE and Leases note was understated by £92k.	✓
Note 31 - Capital expenditure and capital financing	The opening balance and the 2024/25 comparative figures for the Capital Financing Requirement did not agree to the prior year audited accounts.	✓
Collection Fund	The Collection Fund council tax surplus figures at year end did not agree to the current council tax model.	✓
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 2025/26 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
At the time of drafting this report there are no unadjusted items				
Total				

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 2024/25 financial statements. We do not consider these to impact on the 2025/26 audit.

	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

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 Audit and Governance 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

Narrative Reporting	
 Our review of the Council's Narrative Statement reporting, in the Statement of Accounts, against the CIPFA Code, identified some areas that could be enhanced by additional information being disclosed.	<u>Recommendation</u> We recommend that the Council enhance its reporting in the narrative statement to include: • Details on the medium term financial strategy and plans to address any future resource shortfalls; • Information about cash flows during the year and factors affecting future cash flows; and • Reference to materiality and the group accounts boundary in terms of what gets included in the accounts. <u>Management comment</u> Agreed. The Council will review the Narrative Statement disclosures for the 2026/27 Statement of Accounts and consider enhancing the reporting in the areas identified.

Land Indexation	
	
During our PPE indexation testing, we identified that no indexation had been applied to land values within the depreciated replacement cost (DRC) valuations. While the valuer has given rational for why they were unable to identify suitable land indices, other valuers have been able to apply appropriate indices. We are satisfied that this does not have a material impact on the accounts this year.	<u>Recommendation</u> The Council should engage with the valuer for the 2026/27 valuation process to further consider whether appropriate land indices are available for the 2026/27 financial statements. <u>Management comment</u> Agreed.

Prior Year Issues – Unresolved

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>2024/25 Recommendation</u> The Council should ensure that all employee contracts have been signed by both parties. <u>2024/25 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. <u>2025/26 Update</u> Our journals testing identified six instances where one side of the journal was blank. We confirmed that the other side of the journal had appropriate narrative entered. <u>2025/26 Management comment</u> Agreed. Officers will remind users to complete journal narratives in full, and approvers will continue to challenge journals where supporting descriptions are incomplete.

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>2024/25 Recommendation</u> Management should enhance the disclosure of intangible assets so that gross values are shown for fully depreciated assets. <u>2024/25 Management Comment</u> Agreed, officers will endeavour to introduce this for the 2025/26 statement of accounts. <u>2025/26 Update</u> The intangible assets note has not been changed from the prior year. <u>2025/26 Management comment</u> Agreed. Officers will review the disclosure requirements for intangible assets and consider amendments to enhance the presentation of fully amortised assets in future statements of accounts.

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. <u>2025/26 Update</u> Our existence testing of employees identified four out of our sample of twenty where the contract had not been signed and a further unsigned contract was identified as part of our starters sample of five. <u>2025/26 Management comment</u> The Council continues to operate controls to ensure contracts are issued and signed.

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. <u>2025/26 Update</u> Our testing of grants received in advance identified three S106 grant where the original agreement was not available. <u>2025/26 Management comment</u> The Council continues to review and maintain records supporting historic grants where documentation is available. Robust record-keeping arrangements remain in place for current grants and developer contributions.

Prior Year Issues – Resolved

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>2024/25 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>2024/25 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. <u>2025/26 update</u> During our testing of housing benefit payments, no issues have been noted.

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. <u>2025/26 update</u> There has been no change to processes, but this did not impact our journals testing.

8. Building back assurance

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations required local authorities to publish their Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2026, by 31 January 2027 ('the backstop date'). The Council's 2022/23 financial statements were given a disclaimed opinion by the predecessor auditor and no substantive audit work was 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 and 2024/25.

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.	Planned audit work: All audit procedures, including work on PPE valuations for Council's assets revalued in year as part of the 3-year valuation programme.	Planned audit work: All audit procedures, including work on PPE valuations for Council's assets revalued in year as part of the 3-year valuation programme.	Planned audit work: 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 on the Council's reserves in 2022/23 and targeted procedures on some specific areas, including Revenue expenditure funded from capital under statute (REFCUS) and receipts from repayments of capital loans.	Build back work: None – all build back work planned to be completed 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

Our detailed build back procedures work is in progress at the time of drafting this report. It is scheduled to be completed by the date of the Audit and Governance Committee and we will provide an update to the Committee.

9. 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 2026. 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 identified a significant weakness in respect of the Council's governance arrangements due to the planning function being designated by the Government in respect of major planning applications. 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 2025/26 audit is set out below:

	2024/25 fee	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2025/26	190,874	196,218	196,218
Review of implementation of IFRS 16	6,001	N/A	N/A
Additional procedures in respect of the new ISA600 – Group audits	5,041	N/A	N/A
Detailed risk assessment procedures for building back assurance	11,626	N/A	N/A
Additional procedures in respect of IFRIC 14 due to the pension surplus.	-	-	3,000
Additional procedures due to work on VFM significant weakness	-	-	3,287
Phase 2 detailed risk assessment for building back assurance	N/A	TBC	TBC
Phase 3 detailed work to build back assurance	N/A	TBC	TBC
Total (excluding VAT)	213,542	TBC	TBC

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

1. Letter of representation

Bishop Fleming Audit Limited
Salt Quay House
4 North East Quay
Plymouth
Devon
PL4 0BN

[Date]

Dear Sirs

Cherwell District Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2026

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 2026. 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 2025/26 (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.

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 Audit and Governance Committee of Cherwell District Council

[Date]

2. Required communications with the Audit and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit and Governance 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 and Governance 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 accounts, Audit and Risk 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 and Governance 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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