

Auditor's Annual Report

Ashfield District Council – year ended 31
March 2023

February 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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Section 01:
Introduction

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Ashfield District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

Our audit report, to be issued 29 February 2024, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



Value for Money arrangements

In our audit report we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for instructions from the National Audit Office

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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit Committee, and in the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
Financial Statements	The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued in February 2024, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.
Qualitative aspects of the Council's accounting practices	We reviewed the Council's accounting policies and disclosures and, following some adjustments, concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.
Internal Control Recommendations	<p>As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. Our detailed findings and recommendations were included in the Audit Completion Report to the Council's Audit Committee, where we raised several recommendations in relation to:</p> <ul style="list-style-type: none"> • Producing and maintaining an appropriate standard of working papers and supporting evidence in the valuation of assets • Ensuring accounting disclosures and accounting policies are in line with up-to-date guidance • Ensuring capital expenditure is recorded on a timely basis and in the correct financial year • Timely and correct classification of assets from being under construction to being operational • One incomplete action from a prior year.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> • issue a report in the public interest; • make statutory recommendations that must be considered and responded to publicly; • apply to the court for a declaration that an item of account is contrary to law; and • issue an advisory notice under schedule 8 of the 2014 Act. <p>We have not exercised any of these powers as part of our 2022/23 audit. 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.</p>

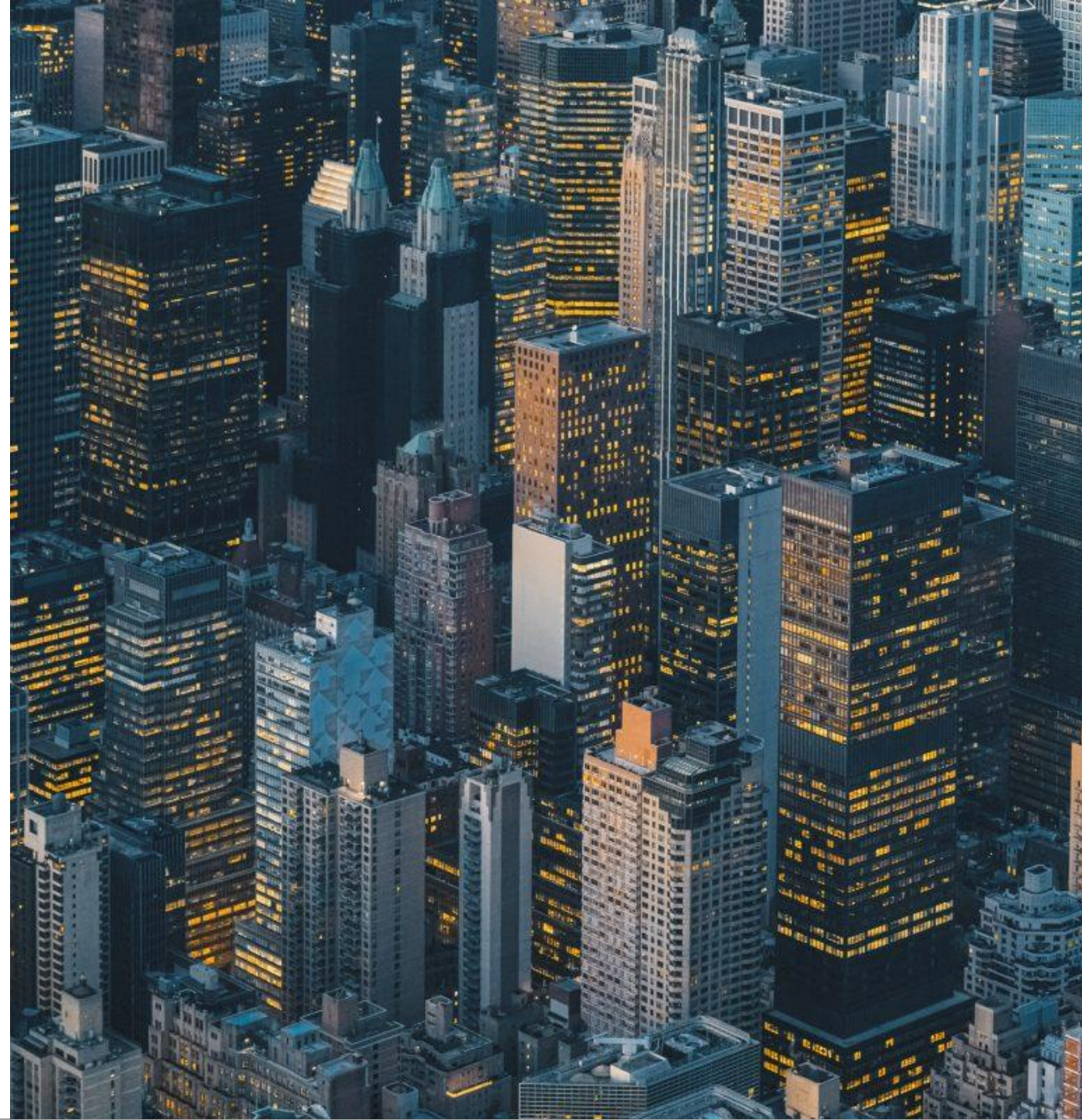
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Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



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 is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	15	No	No	Yes, in relation to financial reporting and risk management reporting to the audit committee. Page 23
 Improving economy, efficiency and effectiveness	19	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2021/22. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including reporting to Members.

2022/23 Budget Setting and the Medium-Term Financial Strategy

We have read committee reports covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with Officers throughout the year. In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets with no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

2022/23 Statement of Financial Position

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency

events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

	2020/21	2021/22	2022/23
General fund (including earmarked reserves)	26,712	26,169	28,150
HRA (including earmarked reserves)	42,832	44,990	43,922
Capital receipts and grants	6,930	9,628	7,315
Total useable reserves	76,474	80,787	79,387

2022/23 Financial outturn

We reviewed cabinet minutes and reports including those in December 2022 and July 2023. Our review of reports shows an adequate level of detail covering financial performance to date, explanations for variances and also tracks planned efficiency savings. The financial outturn position, showing a small surplus on the general fund and HRA does not give cause to concern regarding the Council's financial sustainability.

VFM arrangements – Financial Sustainability

Commercial investment property portfolio

We considered performance on commercial property investments as presented in notes 15 and 25 of audited the financial statements, and from our brought forward knowledge of the Council, we understand that the underlying arrangements for oversights of the Council's investment property portfolio are unchanged from prior years. The table below reconciles the £43m spent on investment properties since 2019/20 to the fair value at 31 March 2023 of £45m, with the main difference being a fall in value of £16m:

	£'000
Opening Fair Value of investment properties 1 April 2019	19,228
Expenditure incurred	42,396
Impairment of value	(16,176)
Fair Value of investment properties 31 March 2023	45,448
<hr/>	
Net Rental Income From Investment Properties 2019/20 to 2022/23	15,555

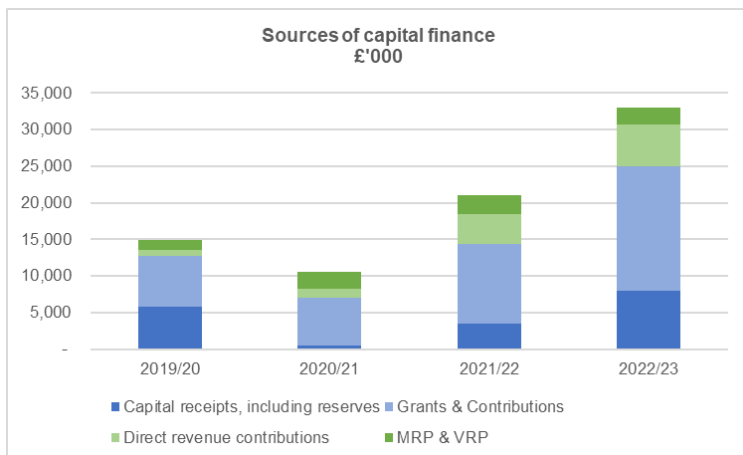
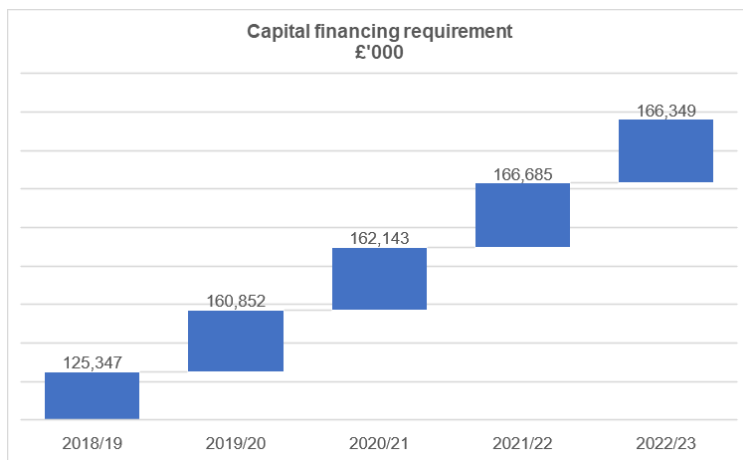
The Council has set aside £4.2m into an earmarked investment reserve to mitigate the impact of rental void periods and mitigate fluctuations in the market. This is approximately 90% of the annual net revenue income received in 2022/23 (£4.5m) per Note 15 of the financial statements, and 25% of the cumulative fall in value since 2019/20. The net rental income does not include the c£1m annual Minimum Revenue Provision on investment properties.

Our minute review confirms the Audit Committee receive regular briefings on the performance of the commercial property portfolio as evidence of ongoing monitoring of performance. It is an area for continued scrutiny, particularly with potential changes to the prudential framework under consultation. We say more on this on the following page.

VFM arrangements – Financial Sustainability

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate. We considered the Council's capital financing requirement as set out in Note 31 of the financial statements, which has risen from £125m in 2018/19 to £166m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.



In 2022/23, the Council spent £29m on capital additions and £4m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues, but we did find recurring issues with the timely and accurate recording of capital expenditure.

As part of paying down the capital financing requirement, the Council charged £2.3m to the general fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2022/23 and its supporting calculations as part of our work on the financial statements audit and have benchmarked the Council's charge against our database of other district councils:

Minimum Revenue Provision as a % of the Capital Financing Requirement	2021/22	2022/23
District councils: average	3.2 %	3.4 %
District councils: bottom quartile	1.0 %	1.2 %
Ashfield District Council	1.5 %	1.4 %

Whilst our work did not report any fundamental concerns over the lawfulness of its MRP, the Council's MRP is 1.4% of the Capital Financing Requirement, which is close to bottom quartile when compared to our database of other district councils (for comparison a figure of 2% is equivalent to paying down the balance over a 50-year period)

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

We reported specific observations on the Council's MRP policy in our Audit Completion Report on the financial statements and are aware of ongoing consultations designed to strengthen the framework in setting the MRP, as a result, we expect that the Audit Committee will receive a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy.

Notwithstanding the matters above, overall, we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

The Authority’s governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

2022/23 Financial Reporting

Our Audit Completion Report for 2022/23, presented to the February 2024 meeting of the Audit Committee, set out that, although there were no material adjustments to the financial statements, there were difficulties arising in the audit, a large number of changes to disclosures and several recommendations, including one that remained unactioned from previous years.

As a result, we have raised a recommendation in relation to improving statutory financial reporting as part of this commentary.

2023/24 Budget Setting and the Medium-Term Financial Strategy (MTFS)

The Council’s budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Cabinet in February 2023 and then Council in March 2023, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term

financial planning through the one-year local government finance settlements.

The table below reproduces the MTFS table.

	2023/24	2024/25	2025/26	2026/27
Estimated Expenditure	17,168	16,555	17,247	17,967
Estimated Income	(17,168)	(16,129)	(12,671)	(12,741)
Estimated Cumulative Funding Gap	-	426	4,577	4,800
Estimated Annual Funding Gap	-	426	4,151	649

The Council’s report refers to the limitations caused by potential local government funding reform as well as an assumption that no allowance for any inflationary increase in District Council Tax increase from 2024/25 was made. We also obtained the January 2024 Cabinet Report on the 2024/25 MTFS, where a Council tax increase was proposed, closing the funding gap previously reported:

	2024/25	2025/26	2026/27
Estimated Expenditure	17,652	19,057	20,757
Estimated Income	(17,652)	(17,557)	(13,793)
Estimated Cumulative Funding Gap	-	1,501	6,964
Estimated Annual Funding Gap	-	1,501	5,464

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

2023/24 Budget Setting and the Medium-Term Financial Strategy (MTFS) (continued)

We considered reasonableness of the 2023/24 budget by reviewing the most recent report to Cabinet (January 2024) on financial performance. This sets out a potential £0.4m general fund budget variance, which we deem to not be significant and therefore does not raise concern over financial sustainability.

Notwithstanding the above, the MTFS highlights significant funding gaps mainly caused by its income assumptions (Council Tax). The Council is not dependent on reserves to balance its budget (although it has significant sums available) and planned savings are relatively inconsequential against the funding gap. In the 2023/24 MTFS (Cabinet, February 2023) the Council was seeking £211k recurrent savings and in adopting the 2024/25 MTFS (Cabinet, January 2024), this increased to £569k from 2024/25 onwards.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Council's Constitution (latest update July 2023) noting that the Cabinet takes overall responsibility for the risk management strategy and effectiveness of arrangements, whilst the Audit Committee is responsible for providing assurance over the adequacy of the risk management framework and to monitor the effective development and operation of risk management and corporate governance in the Council.

We reviewed agendas of both Cabinet and Audit Committee for 2022/23 for evidence of regular reporting of risk, which showed:

Audit Committee meeting date	Risk Management Update?
Mar-22	Yes
Jul-22	No
Nov-22	No
Jan-23	No
Mar-23	No
Jul-23	No
Nov-23	Yes
Feb-24	No

Cabinet meeting date	Risk Management Update?
Mar-22	No
Jun-22	Yes
Jul-22	No
Sep-22	No
Nov-22	No
Dec-22	No
Jan-23	No
Feb-23	Yes
Jun-23	Yes
Jul-23	No

The Audit Committee does receive reports on Corporate Governance, which provides some evidence of arrangements to support governance and risk and the Head of Internal Audit Annual Opinion did not report any significant weaknesses, however, as per the table above nil reports were provided to the Audit Committee during 2022/23.

We are therefore satisfied that, on balance, there is no indication of a significant weakness in arrangements, however the Council must improve the frequency and transparency of risk reporting to the Audit Committee. A recommendation on this point has been raised.

Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Internal Audit

We have reviewed Internal Audit's reports to the Audit Committee and attended Audit Committee to observe the performance of Internal Audit. We have read the head of internal audit's report for 2022/23 and are satisfied it does not highlight any significant weaknesses in arrangements. We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

Member Conduct

From our review of press articles and meetings with Officers, we are aware of criminal allegations against Members about potential wrongdoing, who's court date is set for February 2025. We will revisit this matter on conclusion of the trial.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate. The Corporate Plan sits above a wider strategic context which includes the Corporate Project Management Framework, Corporate Performance Indicators and a range of strategic documents relating to the Council and its services, including the Strategic Direction. The performance framework incorporates balanced performance scorecards on place, corporate and service outcomes.

Our review of minutes and reports confirms the Cabinet receive regular reporting on the measures contained within the Council Plan. We reviewed the performance outturn for 2022/23 presented to the Cabinet as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement.

Local Plan and Planning Performance

In December 2023, the Secretary of State for Levelling Up, Housing and Communities, gave the Council three months to agree a Local Plan or face government intervention. We reviewed minutes of the Cabinet from November 2023, confirming that arrangements were being made to consult on the Local Plan prior to adoption. We also reviewed the year end performance outturn and year end risk register reported to Cabinet, which recognises the Local Plan and the performance of the planning function is an area under scrutiny.

We compared outturn performance on major and minor planning application speed from that presented to

Members against nationally published data (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>)

Table P151a: District planning authorities' performance - speed of major development decisions	% within 13 weeks or within agreed time without penalty for missing data
England, October 2021 to September 2023	87 %
Ashfield in that data set	78 %
Ashfield 2022/23 outturn	88 %

Table P153: District planning authorities' performance - speed of non-major development decisions	% within 8 weeks or within agreed time without penalty for missing data
England, October 2021 to September 2023	86 %
Ashfield in that data set	75 %
Ashfield 2022/23 outturn	70 %

The Council's performance report notes the performance on minor planning applications as an area of concern.

Overall, whilst there is indicator of performance challenges in planning, we judge this to not be an area of significant weakness for the year ending March 2023 as no formal interventions have yet occurred. We also noted that Internal Audit carried out a review of the planning function, not identifying any significant weaknesses.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Towns Fund

In June 2021 a £63m Towns Fund deal for Ashfield was announced, with Ashfield District Council as the Accountable body. We have reviewed a variety of governance documents supporting the Towns Fund to confirm that the Discover Ashfield Board is the body that oversees the Towns Fund to ensure that there is involvement and engagement with a wide range of people and organisations. The Board also has oversight of the Shared Prosperity Fund. The Board membership includes local MPs, community representation and the Integrated Care Partnership. The Board serves an advisory function to the Council with regards to the Town Deal funding.

We obtained a copy of the Local Assurance Framework (LAF) to confirm one was in place. This sets out how Ashfield District Council and Discover Ashfield undertake their respective roles in relation to good governance and delivery of the projects being funded through the Towns Fund. The framework sets out the structure and roles that each organisation will undertake and the processes and policies that will apply to the decision making and oversight that are required in managing the Town Deal programme.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Recommendations for improvement

We will review the progress against these recommendations as part of our 2023/24 audit and any failure to progress or improve will be reflected in our commentary, including whether any escalations are required



3. VFM arrangements – Recommendations

Summary of recommendations made

Reporting criteria	Page	Summary of issue raised	Recommendation
Governance	16	<p>Financial Reporting</p> <p>Our Audit Completion Report on the 2022/23 raised recommendations for improvement, which were presented to the February 2024 Audit Committee.</p>	<ol style="list-style-type: none"> 1. The Audit Committee should seek direct assurance that the recommendations have been actioned prior to the approval of the draft 2023/24 financial statements. Where actions cannot be implemented, Members need to understand what the impact may be.
Governance	18	<p>Risk management</p> <p>The Audit Committee is responsible to ensure that the Authority’s risk identification, measurement and management processes are operating efficiently.</p> <p>No reports on the Corporate Risk Register were provided to the Audit Committee during 2022/23.</p>	<ol style="list-style-type: none"> 2. The Audit Committee must receive regular reports on the Corporate / Strategic risks facing the Authority, in sufficient detail to enable it to fulfil its responsibilities under the Constitution. 3. The Audit Committee should consider whether it would benefit from having a forward plan, fully mapped to its terms of reference, is provided by Officers and reviewed at least bi-annually.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, final instructions have not yet been received.



Appendix

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 Actual fees	2022/23 fees*	2023/24
PSAA's scale fee in respect of our work under the Code of Audit Practice	43,148	55,849	159,606
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS 19 pension liabilities; valuation of land, buildings and investment properties	9,940	N/A included in revised scale fee	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	3,590	3,587	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315 Risk Assessment)	-	5,009	-
Other additional testing - audit adjustments to resolve prior period errors	2,205	N/A – one off cost	-
Other additional testing - implications of pension fund surpluses under IAS19 and IFRIC 14	-	Nil – not required	-
Other additional testing – additional costs as a result of delayed, incomplete and poor quality information in testing property, plant & equipment, extent of adjustments, additional control recommendations and reporting	-	8,703	-
Additional fees in respect of the VFM Commentary	6,000	7,379	-
Sub-total: variations	21,735	24,678	-
Total fees	64,883	80,527	159,606

*These costs are subject to PSAA review and approval. The Council received **£22,243** of grant funding to meet rising audit costs.

**At the time of issuing this report, the additional fees for 2022/2023 have not been agreed with the Council.

Fees for other work

In 2022/23, we were engaged to provide assurance related services on the Pooling of Housing Capital Receipts (fee estimate £4,000).

Appendix A: Further information on our audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p>Significant risk: an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.</p>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>
<p>Valuation of the net pension liability</p> <p>The defined benefit liability/asset relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the actuary; liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations, including comparing them to expected ranges using a consulting actuary; agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and considering whether the pension asset should be capped. 	<p>Based on the work completed, we identified an immaterial misstatement arising from information provided by the Pension Fund auditor that management chose not to adjust for.</p> <p>Aside from this, our work obtained the assurances we sought with no other significant matters to raise.</p>
<p>Valuation of land & buildings and investment properties</p> <p>Land, Building and Property assets and investment properties are significant balances on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the Council's valuation expert's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. 	<p>We faced some difficulties in completing this work, but following adjustments to the financial statements we were satisfied with the assurances obtained.</p>

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