

The Audit Findings for Nottinghamshire County Council and Nottinghamshire Pension Fund

Year ended 31 March 2021

11 November 2021

FINAL



Contents



Your key Grant Thornton team members are:

John Gregory

Key Audit Partner

T 0121 232 5333

E john.gregory@uk.gt.com

Zak Francis

Manager (County Council)

T 0121 232 5164

E zak.francis@uk.gt.com

Jim McLarnon

Senior Manager (Pension Fund)

T 0121 232 5219

E james.a.mclarnon@uk.gt.com

Ellie West

In-charge accountant (County Council)

T 0121 232 5279

E ellie.j.west@uk.gt.com

Kerry Sharma

In-charge accountant (Pension Fund)

T 0116 257 5576

E kerry.sharma@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation
- G. Audit letter in respect of delayed VFM work

Page

- 3
- 5
- 24
- 26
-
- 29
- 32
- 34
- 40
- 42
- 51
- 57

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

John Gregory

Name : John Gregory

For Grant Thornton UK LLP

Date : 11 November 2021

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') and Nottinghamshire Pension Fund ('the Pension Fund') and the preparation of the Council and Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council and Pension Fund's financial statements give a true and fair view of the financial position of the Council and Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June to October. Our findings are summarised on pages 7 to 24.

We have not identified any adjustments to the financial statements of the County Council or Pension Fund that have resulted in a change to the reported Comprehensive Income and Expenditure Statement.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete for the County Council and Pension Fund. There are no matters of which we are aware that would require modification of our audit opinion as detailed in Appendix E or material changes to the financial statements, subject to the following outstanding matters:

For the County Council only:

- At the time of writing this report we are awaiting some evidence to support certain assumptions underpinning the Council's valuation of its land and buildings. We will report progress with regard to this matter verbally at the 11 November Governance and Ethics Committee meeting.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited, subject to the disclosure changes set out in Appendix C. Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial planning and the medium term financial sustainability of the Council, given the significant savings required over the medium term. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in January 2022.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council and Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Council and Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Following our update report at the Governance and Ethics Committee meeting on the 30th September, we have now substantially completed our audit of your financial statements. Subject to the outstanding queries being resolved, we anticipate issuing unqualified audit opinions for the County Council and Pension Fund, as detailed in Appendix E. The outstanding points are, for the County Council only:

- At the time of writing this report we are awaiting some evidence to support certain assumptions underpinning the Council's valuation of its land and buildings. We will report progress with regard to this matter verbally at the 11 November Governance and Ethics Committee meeting.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff in what has been another difficult year.

John Gregory

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We detail in the table below our determination of materiality for the Council and Pension Fund.



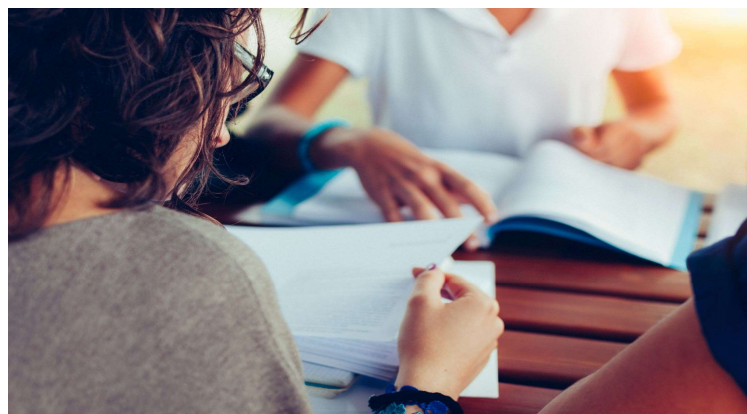
	Council Amount (£)	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,800,000	50,000,000	<p>We determined materiality for the audit of the Council's financial statements as a whole to be £17.8m in our audit plan which equated to approximately 1.5% of the Council's 2019-20 gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. As a Firm we cap materiality at 1.5% to reflect the risk associated with a large and complex authority such as Nottinghamshire County Council, and regulatory expectation of audit firms.</p> <p>Materiality for the Pension Fund was set at 1% of prior year net assets. This benchmark is considered the most appropriate based on the nature of the Pension Fund.</p>
Performance materiality	12,460,000	35,000,000	<p>Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> • We are not aware of a history of significant deficiencies in the control environment. • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	890,000	2,500,000	Triviality is the threshold at which we will communicate misstatements to the Governance and Ethics Committee.
Materiality for senior officer remuneration	100,000		<ul style="list-style-type: none"> - In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Fraud in revenue recognition (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Nottinghamshire County Council and Nottinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Nottinghamshire County Council and Nottinghamshire Pension Fund.</p>	Authority and Pension Fund	<p>Conclusion</p> <p>No changes noted from risk assessment performed at the audit planning stage and therefore no detailed procedures undertaken.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and likewise the Fund of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Authority and Pension Fund</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Conclusion</p> <p>We have noted two control deficiencies in regard of the journal entry process, these pertain to senior financial reporting personnel's ability to post journals and a user's ability to both post and approve their own journal. In the County Council ledger, we noted a small number of self-approved journals, with no mitigating evidence of subsequent approvals having taken place. We conducted additional testing on these journals and no irregularities were noted. While we are satisfied that there is no evidence of management override of control through senior officers posting journals or in regard to the segregation of duties issue, we bring this to the attention of those charged with governance as it relates to a significant risk area.</p> <p>No issues have been identified as a result of our journals work to address the significant risk of management override of control, in addition to this, we have concluded that there are no indications of management bias in estimates included in the financial statements.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of land and buildings and investment property</p> <p>The Authority revalues its land and buildings on a rolling five year basis, and investment properties on an annual basis.</p> <p>In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or fair value at the financial statements date, the Authority carries out a desktop valuation or requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of the Authority's land and buildings and investment properties as a significant risk.</p>	Authority	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out tested revaluations made during the year, including the assumptions on which they are based, and to see if they had been input correctly into the Authority's asset register. engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end <p>Conclusion</p> <p>Our audit work on the valuation of the Council's land and buildings and investment properties is substantially complete and we have the following matters to report to you:</p> <ol style="list-style-type: none"> 1) Last year, based on the extant RICS guidance, we expected valuers to report material uncertainties in respect of property valuations in their valuation reports due to the impact of the pandemic, and audited bodies to include clear disclosures in their 2019/20 financial statements in respect of these material uncertainties relating to property valuations. The Council included such disclosures and we made special reference to them in our Auditor's Report. Market conditions and available market evidence have improved since that guidance was issued, and the latest RICS guidance issued on 6 November 2020 removes the blanket advice that material valuation uncertainties exist. The County Council's draft 2020/21 financial statements included a material uncertainty disclosure again for the year ending 31st March 2021. We challenged management and the valuer whether this remained appropriate., both parties agreed the disclosure should be removed. 2) In testing a number of revalued assets, we disagreed in some cases, with specific assumptions applied or certain steps in the calculation of the valuation, in particular in relation to: <ul style="list-style-type: none"> - the relevant build cost index selected for the asset type (e.g secondary school index vs primary school index) - the level of rounding applied in the valuation (e.g rounding 58 acres to 60) - missteps in the manual calculation methodology <p>We projected the potential misstatement in relation to these issues to be an overstatement of £1.995m in the balance of fixed assets at 31 March 2021, and are satisfied that it does not represent a material issue. However due to the projection being non-trivial, we report the projected error as an unadjusted misstatement in Appendix C.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of the net defined benefit pension fund liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	Authority	<p>We have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken 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 • agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtained assurances from the auditor of Nottinghamshire Pension Fund as to the controls surrounding 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. <p>Also refer to the detailed assessment of the estimation process as described on page 17 of the report</p> <p>Conclusion</p> <p>Our work on the valuation of the net pension liability is complete and we have no matters to draw to your attention.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of Level 3 Investments</p> <p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021. We therefore identified valuation of Level 3 investments as a significant risk.</p>	Pension Fund	<p>In respect of financial investments, we have:</p> <ul style="list-style-type: none"> evaluated management's processes for valuing Level 3 investments reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met independently requested year-end confirmations from investment managers for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2021 with reference to known movements in the intervening period we have evaluated the competence, capabilities and objectivity of the valuation expert where available, reviewed investment manager service auditor report on design effectiveness of internal controls. <p>In respect of directly help property, we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation. Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end <p>Conclusion</p> <p>Our audit work has not identified any significant issues in respect of the valuation of Level 3 investments.</p> <p>It should be noted that differences were identified between the fund manager/ custodian confirmation and the financial statements however we have concluded that these are immaterial to the position of the fund as at 31 March 2021. See the key judgements and estimates section for further information.</p>

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.






Issue	Relates to	Commentary	Auditor view
IT Audit <ul style="list-style-type: none"> Our Information Technology (IT) audit team performed a full assessment of the relevant IT systems and controls operating at the Council and Pension Fund in the prior period. It was agreed between the IT audit team and the engagement team, that a roll-forward approach would be adopted in the current year based on our understanding that the systems in place remained the same. 	County Council and Pension Fund	<p>The IT audit team confirmed there had been no significant changes to the systems in place at the County Council and Pension Fund, and then revisited control deficiencies previously communicated.</p> <p>Per discussions held and our knowledge of the entity, we have established that deficiencies were remedied by management during the financial year. Therefore due to timing while these deficiencies are now cleared, they were present during the first half of the period subject to audit.</p> <p>As such, we have considered these as part of our financial statements audit in 2020/21 and in our audit findings report.</p>	See appendix B for follow up of prior year internal control deficiencies, we are satisfied that there is no significant impact on our audit approach from the deficiencies identified as a result of the IT audit.
Pensions guarantee <ul style="list-style-type: none"> The related parties note (24) states that the pension fund has guaranteed a share of the pension liability relating to employees of LGPS Central that transferred to the company on incorporation. 	Pension Fund	<p>The guarantee is treated as a contingent liability in the accounts in line with IAS 37, with the value per the draft accounts not stated but estimated at £30k. Subsequently, management have revised this to £455k based on the most recent annual report of the company.</p>	<p>As the pensions guarantee is written into contractual terms, it falls outside of the scope of IAS 37 and should be treated as an insurance contract (IFRS 4) or derivative financial liability (IFRS 9) depending on the nature of the agreement. As the amount is immaterial, we are satisfied that the financial statements are free from material misstatement in relation to this matter.</p> <p>The County Council as administering authority should also consider the implications of this on the assumption that the individuals concerned were legally former employees of the Council.</p>

2. Financial Statements – new issues and risks


Issue	Relates to	Commentary	Auditor view
Benefits payable <ul style="list-style-type: none"> As a result of our detailed substantive testing of benefits payable we identified one sample item whereby no paper work existed to substantiate the eligibility and calculation of benefits payable In addition to this, of the sample of 26, five items presented variances in excess of 10% when expected benefits calculations were compared with actual. 	Pension Fund	<p>In regard to the one sample item where we were unable to agree the individuals eligibility and benefits calculations to supporting documentation, we have established that it is likely that this was in place prior to a transition to a new pensions administration system in 2014 but was subsequently not transferred.</p> <p>We have discussed the sample items whereby variances have been identified and understand that this is attributable to post and pre 1988 GMP equalisation payments and have arisen due to the higher level at which our auditor calculations are formulated.</p>	<p>If we were to treat the sample item with no evidence as an error, the projected misstatement in the population would be £417k and therefore trivial.</p> <p>We have also considered the differences in our calculation of benefits payable in cases whereby the actual to estimate was over 10% different and this would result in a difference in estimation of £6.7m which is clearly below our performance materiality. We also note that all variances are in the correct direction which gives us comfort over the calculations performed by the pension fund.</p>
Contributions <ul style="list-style-type: none"> As a result of our detailed substantive testing of contributions we identified three differences in our sample of 17 in regard to employee contributions. 	Pension Fund	<p>We have discussed differences identified with management and established that this is likely due to changes in the individual's employee contribution rate during the period, as determined by their pensionable salary.</p>	<p>We are satisfied that this is reasonable and in line with our understanding of the fund. We have extrapolated the potential error in the population which is below triviality at £2.3m and therefore we have obtained reasonable assurance that the population is free from material misstatement.</p>
Key Management personnel remuneration <ul style="list-style-type: none"> In line with IAS 24, related parties, the pension fund is required to disclose the remuneration of key management personnel, including both short term employment benefit and post employment benefits. The latter should be calculated on an IAS 19 funding basis however the pension fund have disclosed only the employer pensions contributions payable for relevant individual in the period, apportioned based on their time charged to the fund. 	Pension Fund	<p>In respect of the disclosure requirements of the Code, guidance for practitioners included in the CIPFA LGPS example accounts states:</p> <p><i>“Assuming that most key personnel identified will belong to the LGPS or other defined benefit pension scheme, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. Instead, IAS 19 valuations for the postholders identified as key management personnel should be obtained from the fund's actuary each year-end. The benefit earned for disclosure purposes should represent the movement between years, apportioned between the pension fund and the host administering authority.”</i></p> <p>Therefore, the disclosure in its current form does not meet the requirements of the Code.</p>	<p>We have discussed the matter with management and agreed that no amendment will be made to the 2020/21 financial statements, with a view to revisiting this in the next financial year. We are satisfied that this does not impact on our opinion on the financial statements. See page 39 where this has been reported as a disclosure change that has not been addressed and management response.</p>

2. Financial Statements – key judgements and estimates





This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £644.3m</p> <p>Nottinghamshire County Council</p>	<p>Land and buildings comprise specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The Council engaged its internal RICS-registered valuer to complete the valuation of its land and buildings as at 31 March 2021 on a five yearly cyclical basis. By value, one third of the Council's total land & buildings were revalued during 2020/21. The five yearly cyclical basis is allowable under the CIPFA Code, providing the carrying amount of non-valued assets is not materially different from the current value at the year-end.</p> <p>Management have considered the year end value of non-valued land and buildings by consulting with the valuer for his professional opinion on the matter and by applying relevant indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs indices; internal floor areas; site areas; and for both EUV and DRC assets: condition assessments from inspections carried out and RICS and other relevant industry guidance. Management review alternative site and building configuration assumptions to address the modern equivalent asset accounting requirement. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The total year end valuation of land and buildings was £644.3m, a net increase of £2.3m from 2019/20 (£642.1m).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – relevant findings are set out on page 9 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 9 We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated The estimate is adequately disclosed in the financial statements. 	
<p>Assessment</p> <ul style="list-style-type: none">  Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated  Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic  Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious  Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious 			


2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Surplus Assets valuations – £74.3m</p> <p>Nottinghamshire County Council</p>	<p>Surplus assets comprise land and building assets which are: not being used to deliver services; nor currently being held for sale; nor held as an investment property. They must be reported at their Fair Value as at the reporting date in accordance with IFRS 13.</p> <p>The Council makes an assessment each year as to which of its properties meet the definition of surplus assets to ensure the appropriate valuation technique and accounting is applied.</p> <p>The Council engaged its internal RICS registered valuer to complete the valuation of surplus assets as at 31 March 2021. By value, just under one half of the Council's total surplus assets were revalued during 2020/21.</p> <p>Management have considered the year end value of non-valued surplus assets by consulting with the valuer for his professional opinion on the matter and by applying relevant indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p> <p>The total year end valuation of surplus assets was £74.3m, a net increase of £1.2m from 2019/20 (£73.1m).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – relevant findings are set out on page 9 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 9 We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated The estimate is adequately disclosed in the financial statements. 	

Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property valuations – £51.8m Nottinghamshire County Council	<p>Investment properties comprise those assets held by the Council which are held solely to earn rental income or for capital appreciation or both. They must be reported at their Fair Value as at the reporting date in accordance with IFRS 13.</p> <p>The Council makes an assessment each year as to which of its properties meet the definition of investment properties to ensure the appropriate valuation technique and accounting is applied.</p> <p>The Council engaged its internal RICS registered valuer to complete the valuation of investment properties as at 31 March 2021. All investment properties were revalued as at the reporting date.</p> <p>In reporting a valuation for investment properties, the valuer considers a range of relevant sources of information, including relevant market data; current and prospective lease terms and rental income; condition assessments from inspections carried out; RICS and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided by the valuer and challenge where required.</p> <p>The total year end valuation of investment properties was £51.8m, a net decrease of £5.1m from 2019/20 (£56.9m).</p>	<ul style="list-style-type: none"> • We are satisfied that management's expert, is competent, capable and objective • We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations • We have validated sources of information used by management and the valuer for a selection of assets • We have analysed and are satisfied with the method, data and assumptions used by management to derive the estimate • The estimate is adequately disclosed in the financial statements. 	

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £1,524.7m

Nottinghamshire County Council

The Council's net pension liability at 31 March 2021 is £1,524.7m (PY £1,144.7m) comprising both the Nottinghamshire Pension Fund Local Government Pension Scheme ('LGPS' - £1,444.4m) and the Teachers Unfunded Defined Benefit Pension Scheme ('unfunded scheme' - £80.2m) obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £350.8m net actuarial loss during 2020/21.

- We are satisfied that management's expert, Barnett Waddingham is competent, capable and objective
- We have reviewed and assessed the actuary's roll forward approach taken.
- We have used an auditors expert (PwC) to assess the actuary and assumptions made by the actuary for the LGPS:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95 - 2.05%	●
Pension increase rate	2.8%	2.80 - 2.85%	●
Salary growth	3.8%	3.80 - 3.85%	●
Life expectancy – Males currently aged 45 / 65	22.9/ 21.6	22.5 - 24.7/ 20.8 - 23.0	●
Life expectancy – Females currently aged 45 / 65	25.7/ 24.3	25.0 - 27.2/ 23.5 - 25.5	●


We have considered:

- The completeness and accuracy of the underlying information used to determine the estimate
- The impact of any changes to the valuation method
- The reasonableness of the Council's share of LGPS pension assets.
- The reasonableness of increase in estimate
- The adequacy of disclosure of estimate in the financial statements





Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious


2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Level 3 Investments- £868.8m</p> <p>Nottinghamshire Pension Fund</p>	<p>The Pension Fund have investments in unquoted private equity and debt (£518.3m) and directly held investment property (£350.4m) that in total are valued on the balance sheet as at 31 March 2021 at £868.7m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Fund Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund manager's will periodically attend committee which provides opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>Per fund manager's, no material uncertainties have been reported in valuations as at 31 March 2021 as the market returns to normal trading conditions in the wake of Covid-19.</p> <p>No alternative assumptions are considered by management.</p> <p>The investments are not traded on an open market and the valuation of the investment is highly subjective. In order to determine the value of private equity, management's experts rely on models which apply multiples of revenue and earnings or comparable valuations in a traded company.</p> <p>For directly held property, the fund manager engages an expert valuer who will determine the fair value of investments properties with reference to rent and market yield for similar properties.</p> <p>The value of the investment has decreased by £97.8m in 2020/21. This is primarily due to disposals of directly held properties and decreases in value due to the pandemic.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, Barnett Waddingham is competent, capable and objective We obtained direct confirmation from fund manager's of the investment value at the year-end, as well as internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at fund manager level. For financial assets, we performed reconciliations from the audited financial statements to the year end position through known movements in cash flow to sense check the valuation at 31 March 2021. Our detailed substantive testing identified variances of £8.2m in total across private equity, credit and infrastructure assets between fund manager confirmation and reported asset values. This is attributable to timing differences and exchange transactions and is clearly below our performance materiality. For directly held properties, we agreed underlying information used to determine the estimate by the valuer and are satisfied that this has been appropriately applied Our auditor's expert confirmed that valuation methodology used in the valuation of directly held property was in line with their expectation. As a result of follow up procedures proposed by our expert, we have raised on control recommendation in regard to the valuation date of investment properties. Sensitivities disclosed in the note to the financial statements are reasonable in line with the Code The estimate has been appropriately included in the key areas of estimation uncertainty disclosure The estimate is adequately disclosed in the financial statements 	





Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments- £272.9m Nottinghamshire Pension Fund	<p>The Pension Fund have investments in pooled property funds that in total are valued on the balance sheet as at 31 March 2021 at £272.9m.</p> <p>Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Fund Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund manager's will periodically attend committee which provides opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>Per fund manager's, no material uncertainties have been reported in valuations as at 31 March 2021 as the market returns to normal trading conditions in the wake of Covid-19.</p> <p>No alternative assumptions are considered by management.</p> <p>In order to determine the value, management's experts utilise prices where published and net asset value (NAV). The value of the investment has increased by £7.2m in 2020/21.</p>	<ul style="list-style-type: none"> We are satisfied that management's experts, the various fund manager's, are competent, capable and objective We obtained direct confirmation from fund manager's of the investment value at the year-end, as well as internal controls reports and audited financial statements where available to give us assurance over the valuation methodology and fair value of assets. This identified no significant issues with the controls and processes in place at fund manager level We challenged management to provide evidence of the observable inputs used in the valuation of L2 investments, as these are based on some observable inputs and gained comfort that investment classification was appropriate Our detailed substantive testing identified only trivial variances between fund manager confirmation and reported asset values The estimate is adequately disclosed in the financial statements 	

Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Actuarial present value of promised retirement benefits - £4,807m

Nottinghamshire Pension Fund

The Pension Fund's net pension liability at 31 March 2021 is £4,807m (PY £3,305m). The Pension Fund uses Barnett Waddingham to provide actuarial valuations of the Fund's assets and liabilities. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

IAS 26 requires the actuarial present value of promised retirement benefits to be disclosed. However, it gives three options for disclosure:

Option A – in the net assets statement, in which case it requires the statement to disclose the resulting surplus or deficit

Option B – in the notes to the accounts

Option C – by reference to this information in an accompanying actuarial report.

In the case of Nottinghamshire, option B has been adopted and disclosed accordingly.

- We are satisfied that management's expert, Barnett Waddingham is competent, capable and objective
- Underlying information used to determine the estimate has been appropriately rolled forward from the latest triennial valuation
- The actuarial methodology applied in calculating the estimate is reasonable and in line with industry practice and peers

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% to 2.05%	●
Pension increase rate	2.85%	0.35% lower than RPI	●
Salary growth	3.85%	2.50% to 4.20%	●
Life expectancy – Males currently aged 45 / 65	22.9/ 21.6	21.9 to 24.4 and 20.5 to 23.1	●
Life expectancy – Females currently aged 45 / 65	25.7/ 24.3	24.8 to 26.4 and 23.3 to 25.0	●

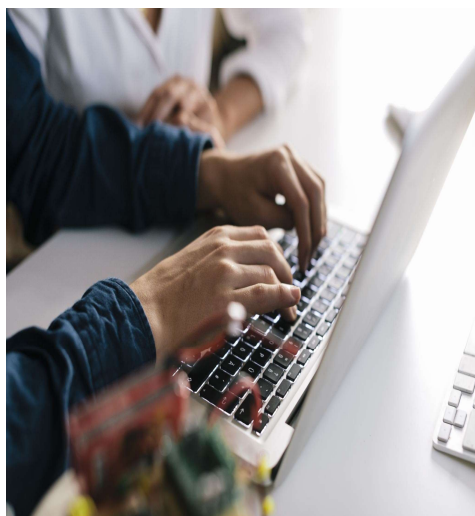
- The estimate of the net defined liability is higher than in the prior period which is in line with the expectation of our auditor's expert
- Sensitivities disclosed in the note to the financial statements are reasonable
- The estimate has been appropriately included in the key areas of estimation uncertainty disclosure
- The estimate is adequately disclosed in the financial statements

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Ethics Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council and Pension Fund, which is appended.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Council and Pension Fund hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent. All but two of these requests were returned with positive confirmation, we are awaiting the remaining two confirmations.
Accounting practices	We have evaluated the appropriateness of the Council and Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, see appendix C for disclosure changes proposed.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p data-bbox="871 464 2056 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2016 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2056 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 2074 1329" style="list-style-type: none"> • the nature of the Council and Pension Fund and the environment in which they operate • the Council and Pension Fund's financial reporting framework • the Council and Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1345 2051 1367">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1383 2051 1476" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p> <p>We are also required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2021 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Note that work is not yet completed, plans will be put in place to complete this work ahead of the submission deadline when this is confirmed.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Nottinghamshire County Council in the audit report, as detailed in Appendix E, due to incomplete VFM work, and incomplete WGA work.</p>



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p>Financial Planning (Medium Term Financial Sustainability)</p> <p>Wording from our Audit Plan:</p> <p>Although the council expects to have sufficient resources in the immediate term (FY2021/22), it has identified a need to deliver significant year on year savings to achieve a balanced budget in the medium term. The council has identified estimated savings requirements of £17.6m in FY22/23, £14.6m in FY23/24 and £15.5m in FY24/25. The COVID-19 pandemic had a gross impact of £82.9m in the year, which has been partly offset by additional government grants. At the same time, there have been significant fluctuations in demands for services and the costs of delivering them, and overall the Council is reporting a £10.2m underspend for the year which will be transferred to reserves. There remain significant uncertainties in the position going forward, both due to the uncertain path of the pandemic and also uncertainty over future funding decisions. And the performance of the wider economy, and the Council's plans for medium term financial sustainability need to remain flexible and be robust.</p>	<p>We have:</p> <ul style="list-style-type: none"> conducted interviews with senior officers and Service Directors; examined minutes and relevant papers of Council and committee meetings; <p>We will:</p> <ul style="list-style-type: none"> commence a review of the medium term financial planning and cost saving schemes; arrange further interviews of Service Directors and senior officers; examine minutes of further meetings and relevant papers; <p>With a view to:</p> <ol style="list-style-type: none"> 1) To document an understanding of the arrangements the body has in place in respect of financial sustainability 2) To make an assessment of those arrangements 3) To gather sufficient evidence to support the commentary on the body's arrangements in the Auditor's Annual Report 4) To identify any further risks of significant weaknesses in arrangements that weren't identified at the initial planning stage 5) To draft the commentary to be included in the Auditor's Annual Report

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. These services are consistent with the Council and Pension Fund's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Nottinghamshire County Council

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers’ Pensions return	4,000	Self Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £120,124 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review	We have not prepared the form which we review and do not expect material misstatements to the financial statements to arise from this service.
		Management	Changes to the return and the factual accuracy of our report will be agreed with informed management.
Non-audit related			
CFO Insights subscription	16,000	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £120,124 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.




Nottinghamshire Pension Fund

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	7,500	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £35,293 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.




Appendices

A. Action plan – Audit of Financial Statements – internal control



We have identified 6 recommendations for the Council and Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Risk relates to	Recommendations
	Journals controls- self authorisation The finance system currently allows journals to be posted and approved by the same user. This acts as an enabler for fraudulent financial misreporting and error. The Council and Pension Fund have a mitigating control in place, in that all such self- approved journals undergo retrospective approval. The control was found not to be operating effectively during 2020/21.	County Council and Pension Fund	We recommend automated preventative segregation of duty controls are built in to the finance system to prevent transactions being posted and approved by the same user. We recommend in the meantime that the control around reviewing self-approved journals with retrospective authorisation should be strengthened. Management response It should be noted that, of the hundreds of journals that are processed throughout the year only four were self-approved. Having said, that a more robust, monthly process has been introduced to capture any retrospective authorisations that may be required.
	Journals controls- senior officers Senior officers have access privileges built into the finance system which allow them to be able to post journals. As senior officers, this privilege is considered to be incompatible with role, and is an enabler of management override of control.	County Council and Pension Fund	We recommend journal posting privileges are removed for senior officers. Management response There are two senior officers who have access to post journals – the Section 151 Officer and the Deputy 151 Officer – although they have not posted a journal for a number of years. It is proposed that their access continues to provide system resilience in the event that other officers are not available to post journals. To assure external audit that senior officers have not over-ridden controls, a report can be produced to show any journals that have been posted by the two senior officers.
	Controls reports, bridging letters and audited financial statements Consistent with the prior period we have identified a deficiency in regard to lack of controls reports at certain fund managers and/ or no bridging letter. The value of investments of which we were unable to obtain a controls report is £114.6m and as we understand, the Pension Fund do not perform any alternative procedures to gain assurance that controls and processes are designed effectively at these funds. Similarly, we were unable to obtain audited financial statements for one fund.	Pension Fund	We are satisfied that reasonable assurance has been obtained over investment values in the absence of these documents however given the significant risk of estimation uncertainty we would recommend that the Pension Fund introduce measures to ensure where reports are not provided, management are obtaining alternative assurance that controls and processes in place in regard to the valuation of investments are effective. Management response Controls reports and bridging letters are obtained for all our major investment managers. Over time as more investments are made through LGPS Central this control will be provided by them.




Controls

-  High – Significant effect on financial statements
-  Medium – Limited Effect on financial statements
-  Low – Best practice


A. Action plan – Audit of Financial Statements – internal control

Assessment	Issue and risk	Risk relates to	Recommendations
	Investment property We note from our review of the valuation of directly held property that one property in Essex was not revalued at the period end, but rather at 31 December 2020. Management have not performed any additional procedures to consider the movement in value of this asset within the final quarter to the period end.	Pension Fund	<p>As the value of this asset is £3.9m, the likely movement in value between December and March would be trivial and therefore we are satisfied there is no risk of material misstatement however IFRS 13 and the Code require that all assets carried at fair value must be valued at the reporting date. We would recommend that management ensure all assets in the directly held property portfolio are revalued as at 31 March.</p> <p>Management response</p> <p>The auditor suggests, but has been unable to identify, the potential error on one valuation of land valued at 31 December 2020 from a total valuation of all property held by the Fund of £350.4m. Because of the nature of the property the valuation is very stable and unlikely to have undergone a change in value in those three months.</p> <p>Although we do not consider there to be an error on our property valuations, it has been arranged with our external managers that this property will be valued at 31 March in future.</p>
	Membership data - starters and leavers testing As a result of testing performed on starters and leavers to the fund, we identified one starter that was incorrectly set up in the system under the wrong employer. We therefore extended our testing to cover a further 10 starters and identified one issue whereby a starter was missing a membership certificate as this was due to be issued however the employee subsequently left and therefore this was deemed unnecessary.	Pension Fund	<p>We are satisfied that there is no significant impact on the recording of starters/ leavers however management should review procedures to ensure the correct administration of the pension fund is being implemented on a timely basis and this is also communicated to employers.</p> <p>Management response</p> <p>Scheme Employers are reminded on a regular basis of their responsibility to provide starter, leaver and changes information to the Pension Administration Service on a timely basis. As previously reported the Pension Administration Service is undertaking a member wide data audit and improvement project as part of its Transformation Programme. Over 430 data validation checks have been applied to data held on an individual's pension record. As the project moves into the final phases Scheme Employers will be provided with details of their employees membership data and asked to verify the data held. Once complete the Fund will be moving from annual to monthly returns. This will ensure that Scheme Employers provide membership data on a monthly basis which will be verified by the running of system checks prior to upload on to the members record. The Scheme Employers Portal is also being rollout which will enable the electronic submission of members data.</p>

Controls

-  High – Significant effect on financial statements
-  Medium – Limited Effect on financial statements
-  Low – Best practice

A. Action plan – Audit of Financial Statements – internal control

Assessment	Issue and risk	Risk relates to	Recommendations
	<p>IT System</p> <p>We identified a number of control issues in security and access of NCC's SAP system. These weaknesses include</p> <ul style="list-style-type: none"> • SAP Support staff and vendors with DEBUG access • SAP developers with access to modify the ledgers • Change developer and implementation segregation of duties conflicts • Inadequate password security for SAP; and • IT security policies not acknowledged by staff 	<p>County Council and Pension Fund</p>	<p>The matters identified relate to IT systems but not specifically the financial reporting process. Our substantive approach to audit has mitigated any risks that would arise from the findings.</p> <p>However the controls around access and segregation are intrinsic to the integrity of the system and should be addressed.</p> <p>Since the IT review management have addressed the findings and removed or locked the suspected accounts .</p> <p>Management response</p> <p>The first three bullet points have been addressed by removal of access in September 2020.</p> <p>The issues around password security in SAP have been addressed as per the Management Responses on the IT Audit.</p> <p>A parameter change to the logout of inactive users after 30 minutes in GUI has been deployed into the Development system for testing and an impact assessment on usability will be reviewed.</p> <p>On the final bullet point, a new e-learning module has been added to the NCC Learning Portal. All users will be auto-enrolled and will need to confirm that they have read the acceptable use standard. This learning is mandatory and will be issued annually.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council and Pension Fund's 2019/20 financial statements, which resulted in six recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendations and note 4 are still to be completed.

Assessment	Risk relates to	Issue and risk previously communicated	Update on actions taken to address the issue
X	Council	Reports provided for Payable and Receivable sample selection were transaction listings not a report showing actuals for the year end. This has led to delays in getting breakdowns from the cost centres reported to select samples at a unit level and also samples selected that have been reversed so not representing debts to the Council or monies owed at year end.	The improvement in payable/ receivable reports are still to be addressed by officers. This has led to delays again during the 20/21 audit and we have recommended this is addressed in 21/22.
✓	Council	A number of journal mis-postings were identified from testing and although these had in the main been corrected, there is a risk when posting that journal corrections have not been applied to the correct accounts.	Although there will always be some element of risk that error exists in journal postings, management are satisfied their control mechanisms are adequate to reduce the impact of these.
X	Pension Fund	<p>Review of controls assurance provided by the investment managers revealed that numerous smaller investment managers do not produce controls reports or bridging letters, or did provide controls reports but could not provide bridging letters to confirm that controls had not substantially changed between the report dates and the pension fund's year end date of 31st March 2020.</p> <p>Historically no additional information has been requested by the pension fund to bridge this gap in assurance and gain comfort that effective controls are in place at investment managers used by the Pension Fund</p> <p>We were able to positively confirm investment and cash balances with these investment managers, so there was no impact on the reported financial disclosures</p>	As noted on page 31, we have identified several investment managers that have not provided controls reports or bridging letters for the year ended 31 March 2021.

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Risk relates to	Issue and risk previously communicated	Update on actions taken to address the issue
X	Pension Fund	Membership data is rolled forward by the actuary on an annual basis. There are no challenges or reconciliations undertaken by the fund and the actuary's figures are accepted as correctly reflecting membership. This was of particular importance in 2019/20 for triennial review.	As per discussions with management, there have been no changes to procedures and there are none anticipated as this is in line with their expectation.
✓	Pension Fund	In some cases working papers provided to support the accounts and allow for sample selection did not agree back to the entries within the statements. This delayed and in some cases caused repetition in sample selection.	No similar issues have been experienced in the 2020/21 audit of the Pension Fund.
X	IT System	<p>We identified a number of control issues in security and access of NCC's SAP system. These weaknesses include:</p> <ul style="list-style-type: none"> • SAP Support staff and vendors with DEBUG access • SAP developers with access to modify the ledgers • Change developer and implementation segregation of duties conflicts • Inadequate password security for SAP; and • IT security policies not acknowledged by staff 	As noted on page 32, these deficiencies were remedied during the period subject to audit and therefore have been reported for the attention of Those Charged with Governance again.

Assessment

- ✓ Action completed
X Not yet addressed

C. Audit Adjustments – Nottinghamshire County Council

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.



Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
PAYE creditor incorrectly recorded as a negative balance within debtors	No impact	Dr Debtors- (Central Government) £4.064m Cr Creditors – (Central Government) £4.064m No impact on reserves	No impact
Overall impact	£ Nil	+£4.064m current assets +£4.064m current liabilities	£Nil

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Projected misstatement due to inappropriate fixed asset valuation assumptions/ mistakes in calculation (detailed on pg 9)	Dr Surplus on revaluation of non current assets £1.995m	Cr Property Plant & Equipment £1.995m Dr Revaluation Reserve £1.995m	Nil impact on net cost of services.	Audit projection, not material, no impact on general fund
Overall impact	-£1.995m	-£1.995m	Nil	

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period.

C. Audit Adjustments – Nottinghamshire County Council

Misclassification and disclosure changes - adjusted

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure area	Auditor recommendations	Adjusted?
MiRS, CIES, Balance Sheet, and Note 21 Pensions- IAS 19	The 2019/20 comparator disclosures were labelled as 'Restated'. Since no prior period adjustment had taken place, the reference to 'Restated' should be removed.	✓
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	The note referred to a material valuation uncertainty in relation to the Council's property valuation as at 31 March 2021, and a material valuation uncertainty in the pension fund property valuation report. The note also highlighted a high level of uncertainty in relation to the impact of Britain's exit from the European Union on the value of the Council's assets and liabilities. In considering relevant sector guidance and valuation reports, we recommend these factors no longer represent material uncertainties for the 2020/21 accounts, and the disclosures should therefore be removed.	✓
Note 19 Debtors and Long-Term Debtors	Gross 'Debtors less than one year' (£128.496m) are netted down by an impairment allowance of £13.3m. This impairment allowance should be shown separately on the 'Less impairment allowance for bad and doubtful debts' line, with the 'Debtors less than one year' showing the total gross of this adjustment.	✓
Note 27 Financial Instruments Balance	The Total Financial Assets disclosed did not include the balance of cash & cash equivalents held by the Authority. As such the disclosure was materially understated and the note should be amended to explain.	✓
Note 27 Financial Instruments Balance	The Total Debtors classed as Financial Assets included prepayments made by the Authority. Prepayments do not represent a financial asset, and as such the total prepayments should be removed from the totals disclosed.	✓
Note 29 Fair Value of Assets and Liabilities carried at amortised cost	Level 2 financial assets at amortised cost - fair value at 31/3/20 (£107.309m) did not agree to the audited prior year accounts (£103.104m) The 31/3/20 total should be amended.	✓
Note 44 Employee Remuneration	The 2019/20 comparator columns in the exit packages table were totals from 2018/19. They should be amended to reflect the 2019/20 audited accounts.	✓
Note 44 Employee Remuneration	The salary banding for Corporate Director- Place was incorrect and should be amended.	✓
Narrative Report	References to capital expenditure should be reconcilable to the equivalent disclosures in the statement of accounts. Narrative to be amended to make this clearer.	✓
Grant income	The classifications within note 25 Specific Revenue Grants were found to contain errors, and classification adjustments have been made to rectify, specifically in relation to the Dedicated Schools Grant, Better Care Fund and Other Grants.	✓
Various minor disclosure amendments	The Council have amended and expanded a number of disclosure notes to enhance readability and internal consistency in the accounts	✓

C. Audit Adjustments – Nottinghamshire County Council

Misclassification and disclosure changes - unadjusted

The table below provides details of misclassification and disclosure changes identified during the audit which have been not been made in the final set of financial statements, and management's comments thereon.

Disclosure area	Auditor recommendations	Adjusted?	Management Comment
MIRS	The 'usable revenue reserves balance' should be called the 'general fund balance' as required by the Code, and to readily assist comparison by the reader when referencing multiple Local Authority Accounts.	X	Management have not amended for this point as they prefer to keep terminology consistent with their annual budget and monthly financial reporting. Auditor conclusion: accept as a non material point
MIRS	The 'capital receipts and grants unapplied reserve' should be two separate reserves and presented as such on the MiRS.	X	Management have not amended for this point on the basis of immateriality. The opening and closing balance on the capital receipts reserve is nil, and the total reserve balance £2.9m is not material. Auditor conclusion: accept as a non material point
Narrative Report	References to Non Domestic Rate Income should be clearly reconcilable to the equivalent value in the CIES. There is a £7.5m difference which isn't adequately explained.	X	Management have not amended for this point on the basis of immateriality and there being a valid reason for the difference. Auditor conclusion: accept as a non material point

C. Audit Adjustments – Nottinghamshire Pension Fund

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.



Impact of adjusted/ unadjusted misstatements

As a result of audit procedures undertaken, we have not identified any misstatements for adjustment for the year ending 31 March 2021. As noted on pages 12 and 13, we have considered the impact of extrapolated errors as a result of our audit procedures on contributions and benefits and are satisfied that these are immaterial to the performance and position of the Fund at the year-end.

In addition to this, differences identified between the reported position of L3 investments and fund manager confirmation as noted on page 19 is also immaterial and therefore no adjustment is required.

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period.

C. Audit Adjustments – Nottinghamshire Pension Fund

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure area	Auditor recommendations	Adjusted?
Accounting standards issues but not yet adopted	Accounting standards issues but not yet adopted have been listed, however guidance requires the impact of these standards to be quantified unless a reliable measurement cannot be made, or it is expected to be clearly immaterial to the fund. If the latter, this should be stated.	✓
Investments	In regard to LGPS Central, the financial statements should include management's assessment of the investment in line with IFRS 11 and disclosure requirements made in line with IFRS 12 in relation to risks associated with the interest in LGPS.	✓
Audit fees	The audit fees disclosed in the financial statements do not take account of agreed fee variations which bring the audit fee to £35,293 as well as fees for non-audit services (IAS 19 assurance) of £7,500.	✓
Critical judgements in applying accounting policies and key areas of estimation uncertainty	The disclosure of critical judgements in applying accounting policies and key areas of estimation uncertainty should be revised to ensure it is clear in terms of what is meant to be a judgment and what is an estimation uncertainty and what could its impact be.	✓
Financial instruments	Debtors and creditors within financial instruments include items which do not meet the definition of a financial instrument - namely £2,423 of prepayments in debtors and £19,471 tax on refunds and £388,691 VAT in creditors.	✓
Financial instruments	Disclosure of the valuation methods for fair value of L2 and L3 investments are not compliant with the Code (Code 2.10.4.1.3) d). There is also no disclosure of significant observable and unobservable inputs used in these valuations.	✓
Financial instruments	A statement should be added to the financial instruments note to clarify that for current assets and liabilities, the carrying amount of these instruments is deemed to be a reasonable approximation of their fair value.	✓
Contractual commitments	As a result of audit procedures performed whereby we agreed a sample of undrawn contractual commitments to underlying third party fund manager information, a number of variances were noted which have subsequently been updated in the disclosure note.	✓
Post balance sheet events	Due to the material movement in the investment assets of the fund in the first quarter of the 2021/22 financial year to 30 June (£285m increase), we have proposed that a non-adjusting post balance sheet event is included to provide explanation and quantification of this change since the balance sheet date.	✓

C. Audit Adjustments – Nottinghamshire Pension Fund

Misclassification and disclosure changes

Disclosure area	Auditor recommendations	Adjusted?
Financial instruments	<p>Nature and extend of risks arising from financial instruments makes reference primarily to discount rate changes and funding levels. Standard areas of risk in relation to financial instruments such as market risk, price risk, interest rate risk, currency risk and credit risk have not been included and quantified. The pension fund have included narrative disclosure in the revised financial statements but no quantification as is expected by the Code.</p> <p>Management response The financial instruments note will be reviewed ahead of the production of next years' accounts and consideration will be given whether anything meaningful can be added to the note.</p>	X
Key management personnel	<p>Per the Code, key management personnel disclosure of post employment benefits within related parties should be measured on an IAS19 basis. The current disclosure of employer pension contributions paid is not in compliance.</p> <p>Management response The issue with the key management personnel note was identified late in the audit and was not considered to be significant. The figures for next year will be calculated on an IAS19 basis.</p>	X

D. Fees – Nottinghamshire County Council

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Nottinghamshire County Council Audit	£120,124	£TBC
Total audit fees (excluding VAT)	£120,124	£TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers' Pensions return	£4,000	£4,000
Non-audit related services		
CFO Insights subscription	£16,000	£16,000
Total non-audit fees (excluding VAT)	£20,000	£20,000

The fees reconcile to the final version of the financial statements.

D. Fees – Nottinghamshire Pension Fund

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Nottinghamshire Pension Fund Audit	£35,293	£TBC
Total audit fees (excluding VAT)	£35,293	£TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance letters for Admitted Bodies	£7,500	£7,500
Total non-audit fees (excluding VAT)	£7,500	£7,500

The fees reconcile to the financial statements.

E. Audit opinion – Nottinghamshire County Council

Our audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Nottinghamshire County Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Service Director - Finance, Infrastructure & Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements' section of this report.

E. Audit opinion – Nottinghamshire County Council

Other information

The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest 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 a written recommendation to the Authority 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 in respect of the above matters.

Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director - Finance, Infrastructure & Improvement. The Service Director - Finance, Infrastructure & Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director - Finance, Infrastructure & Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Audit opinion – Nottinghamshire County Council

In preparing the financial statements, the Service Director - Finance, Infrastructure & Improvement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, and the Local Government Act 1972.
- We enquired of senior officers and the Governance and Ethics Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Governance and Ethics committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected, or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, misstatement of significant estimates due to fraud and related party transactions. We determined that the principal risks were in relation to:
 - The use of journal entries.
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias.
 - Related party transactions undertaken outside the normal course of business.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Service Director - Finance, Infrastructure & Improvement has in place to prevent and detect fraud;

E. Audit opinion – Nottinghamshire County Council

- journal entry testing, with a focus on manual postings; entries containing key words or blank descriptions; entries posted by unusual or inappropriate posters; entries which were self-approved.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

E. Audit opinion – Nottinghamshire County Council

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Nottinghamshire County Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our [Auditor's Annual Report](#) .
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

E. Audit opinion – Nottinghamshire Pension Fund

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Nottinghamshire Pension Fund on the pension fund financial statements of Nottinghamshire Pension Fund

Opinion

We have audited the financial statements of Nottinghamshire Pension Fund (the 'Pension Fund') administered by Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Service Director - Finance, Infrastructure & Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

E. Audit opinion – Nottinghamshire Pension Fund

In auditing the financial statements, we have concluded that the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements' section of this report.

Other information

The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Annual Financial Report, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest 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 a written recommendation to the Authority 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 in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Service Director – Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director - Finance, Infrastructure & Improvement. The Service Director - Finance, Infrastructure & Improvement is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Audit opinion – Nottinghamshire Pension Fund

In preparing the Pension Fund's financial statements, the Service Director - Finance, Infrastructure & Improvement is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Governance and Ethics Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Governance and Ethics Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, misstatement of significant estimates due to fraud and related party transactions. We determined that the principal risks were in relation to:
 - The use of journal entries and in particular;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
 - Related party transactions undertaken outside the normal course of business.

E. Audit opinion – Nottinghamshire Pension Fund

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Service Director - Finance, Infrastructure & Improvement has in place to prevent and detect fraud.
 - journal entry testing, with a focus on all manual postings, journal entries that directly impacted on the net increase in net assets available for benefits, journal entries posted in the closing and accounts preparation period, postings made by unexpected users, frequency of postings by users and the use of suspense and net nil balance accounts.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 investments and IAS 26 pensions liability valuations. In all cases, management adopted assumptions applied by management's expert in the calculations of estimates
 - Review for undisclosed related parties and agreement of related party transactions to underlying evidence and consideration of these in line with our understanding of the operations of the pension fund; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

F. Management Letter of Representation – Nottinghamshire County Council

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

11 November 2021

Dear Sirs

Nottinghamshire County Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Nottinghamshire County Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the 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 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include: the valuation of property, plant, equipment, and investment properties; the valuation of the net pension liability; the fair value of financial instruments; the completeness and accuracy of accruals and provisions. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions, or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

F. Management Letter of Representation – Nottinghamshire County Council

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts considering the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

F. Management Letter of Representation – Nottinghamshire County Council

- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated because of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators, or others.
- xxi. 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 financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. 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.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Governance and Ethics Committee at its meeting on 11 November 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

F. Management Letter of Representation – Nottinghamshire Pension Fund

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

11 November 2021

Dear Sirs

Nottinghamshire Pension Fund Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Nottinghamshire Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund'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 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include level 2 and level 3 investments, and the actuarial present value of promise retirement benefits. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- v. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Fund has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vi. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

F. Management Letter of Representation – Nottinghamshire Pension Fund

- i. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- iii. The financial statements are free of material misstatements, including omissions.
- iv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- v. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- vi. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- i. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- ii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

F. Management Letter of Representation – Nottinghamshire Pension Fund

- i. 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 financial statements.
- ii. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- i. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- ii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- iii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Governance and Ethics Committee at its meeting on 11 November 2021.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Fund

G. Audit letter in respect of delayed VFM work

The letter below does not form part of the Audit Findings Report, however is issued concurrently.

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Chair of Governance and Ethics Committee
Nottinghamshire County Council
County Hall
Nottingham
NG2 7QP

11 November 2021

Dear Chair of Governance and Ethics Committee, as Those Charged with Governance,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

John Gregory

Director

