

Governance and Ethics Committee

Wednesday, 28 February 2024 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

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| 1 | Minutes of last meeting held on 10 January 2024 | 3 - 6 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below) | |
| 4 | Local Government and Social Care Ombudsman Decisions - December 2023 to January 2024 | 7 - 18 |
| 5 | Response to Local Government and Social Care Ombudsman Decisions 2024 | 19 - 26 |
| 6 | External Audit - Audit Findings Report 2022-23 | 27 - 116 |
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| 8 | Local Audit Delays | 151 - 154 |
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Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Noel McMenamin (Tel. 0115 993 2670) or a colleague in Democratic Services prior to the meeting.

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>



Meeting **GOVERNANCE AND ETHICS COMMITTEE**

Date **Wednesday 10 January 2024 (commencing at 10.30am)**

membership

COUNCILLORS

Philip Owen (Chairman)
John Lee (Vice-Chairman)

Richard Butler - **Apologies**
Samantha Deakin
Errol Henry JP - **Apologies**
Andy Meakin
Michael Payne

Sue Saddington
Helen-Ann Smith - **Apologies**
Nigel Turner
Roger Upton - **Apologies**

SUBSTITUTE MEMBERS

Councillor Chris Barnfather substituted for Councillor Richard Butler
Councillor Boyd Elliott substituted for Councillor Roger Upton
Councillor Pauline Allan substituted for Councillor Errol Henry JP

MEMBERS IN ATTENDANCE

Councillor Jim Creamer

OFFICERS IN ATTENDANCE

Ainsley MacDonnell - Adult Social Care & Health
Naomi Russell

Louise Beavan - Children and Families
Lynda Poole
Claire Sykes

Glen Bicknell - Chief Executives
Richard Elston
Emma Hunter
Noel McMenamin
Marjorie Toward
Nigel Stevenson

Cathy Harvey - Place

Zak Francis - Grant Thornton

1. MINUTES

The Minutes of the last meeting held on 29 November 2023, having been previously circulated, were confirmed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from:

- Councillor Richard Butler (Other County Council Business)
- Councillor Errol Henry (Other reasons)
- Councillor Helen-Ann Smith (Other Reasons)

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

4. UPDATE ON LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN DECISIONS (OCTOBER AND NOVEMBER 2023)

The report set out information about two complaints against the Council where fault was found by the Local Government and Social Care Ombudsman. Members were given the opportunity to ask questions of officers and seek assurance about actions put in place regarding those complaints.

Arising from discussions, Members requested that:

- the Overview Committee give consideration as how complex cases involving transition between Childrens' and Adults' social services can be actioned appropriately:
- through the Overview Committee, the Adult Social Care and Public Health Select Committee be requested to consider what actions and mitigations can be taken to address the shortcomings of service providers, where the Council, as the commissioning body, holds overall accountability;
- the Monitoring Officer arrange a further meeting between the Chairman and Vice-Chairman and the Office of the Local Government and Social Care Ombudsman to discuss in detail the Council's position in respect of recent findings of fault by the Ombudsman.

RESOLVED: 2024/01

That the findings of the Local Government and Social Care Ombudsman be noted and the lessons learned and actions taken in response to the findings be welcomed.

5. REGULATION OF INVESTIGATORY POWERS ACT 2000 – ANNUAL REPORT

RESOLVED 2024/02

That the content of the report regarding activity under the Regulation of Investigatory powers Act over the period from January 2023 to December 2023 be noted.

6. INTERNAL AUDIT CHARTER REFRESH

RESOLVED: 2024/03

That the revised Internal Audit Charter be approved.

7. COUNTER FRAUD PROGRESS REPORT

RESOLVED: 2024/04

That the contents of the counter-fraud progress report be noted.

8. STATEMENT OF ACCOUNTS 2022/23

During discussions, Members received assurance that the final Annual Audit and Annual Audit Findings reports would be available for consideration at the Committee's February 2024 meeting.

RESOLVED: 2024/05

That responsibility to approve the Statement of Accounts 2022/23 on completion of all external audit work be delegated to the Section 151 Officer, in consultation with the Chairman of Governance and Ethics Committee.

9. ATTENDANCE AT THE COMMEMORATION OF THE 80TH ANNIVERSARY OF THE NORMANDY LANDINGS

This item was withdrawn.

10. WORK PROGRAMME

RESOLVED: 2024/07

That the work programme be approved.

The meeting closed at 11:05am

CHAIRMAN

28 February 2024**Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE
AND EMPLOYEES****LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN DECISIONS
DECEMBER 2023 TO JANUARY 2024****Purpose of the Report**

1. To inform the Committee about Local Government & Social Care Ombudsman's (LGSCO) decisions relating to the Council since the last report to Committee was completed and therefore any decisions after 4th December 2023.

Information

2. Members have asked to see the outcome of Ombudsman investigations regularly and promptly after the decision notice has been received. This report therefore gives details of all the decisions received since the last report to this Committee.
3. The LGSCO provides a free, independent and impartial service to members of the public. It looks at complaints about Councils and other organisations. It only looks at complaints when they have first been considered by the Council and the complainant remains dissatisfied. The LGSCO cannot question a Council's decision or action solely on the basis that someone does not agree with it. However, if the Ombudsman finds that something has gone wrong, such as poor service, a service failure, delay or bad advice and that a person has suffered as a result, the LGSCO aims to get the Council to put it right by recommending a suitable remedy.
4. The LGSCO publishes its decisions on its website (www.lgo.org.uk/). The decisions are anonymous, but the website can be searched by Council name or subject area.
5. A total of eight decisions relating to the actions of this Council have been made by the Ombudsman in this period. Appendix A to this report summarises the decisions made in each case for ease of reference and Appendix B provides the full details of each decision.
6. Full investigations were undertaken into one complaint. Appendix A provides a summary of the outcomes of the investigation. Where fault was found, the table shows the reasons for the failures and the recommendations made. If a financial remedy was made the total amount paid or reimbursed is listed separately.

7. There was fault found in one case. This case was in Place. The complaint was about how the Council managed the purchase of a piece of one piece of land, and the maintenance of another adjacent piece of land. The Ombudsman believes the Council's communication with Mrs X has been poor. Mrs X has repeatedly chased the Council for updates regarding the purchase of Land A. They state the Council gave Mrs X the impression that it was almost ready to sell to her back in 2021 when in fact, the Council did not confirm the legal status of the land until November 2023, after Mrs X had brought her complaint to us. This raised Mrs X's expectations and caused Mrs X avoidable uncertainty. Mrs X repeatedly reported the poor maintenance and the associated problems. The Ombudsman state the Council could have included the land in a regular work programme rather than relying on annual reminders. The Council, whilst acknowledging the delays, defended its position regarding land maintenance by explaining that everyone has a different view of an acceptable level of maintenance. Eg Keep the grass too short and kids play football, or may wish to use it in future for biodiversity net gain where managed as wild and would be overgrown. It is difficult to define in a manner which suits all needs. It is effectively private land that we should be able to maintain to whatever standard we want and budgets allow and where more residents use or see the land. The Council has contacted the previous owner of the land and they have no interest in purchasing it so have started the process of negotiating the sale of the land to Mrs X.

Other Options Considered

8. The other option considered was not bringing regular reports to the Committee detailing the decisions made by the Local Government and Social Care Ombudsman. This option was rejected as by not having oversight of this report the Committee would not receive assurances that the learnings from Ombudsman cases were leading to improvements in services.

Reasons for Recommendation/s

9. To enable members to scrutinise complaints dealt with by the Council that went to the Ombudsman and to inform them of the service improvements being made for the benefit of residents as well as colleagues.

Statutory and Policy Implications

10. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

11. The decisions attached are anonymised and will be publicly available on the Ombudsman's website.

Financial Implications

12. The details of any financial payments are set out in Appendix A. £200 will come from Place.

Implications for Service Users

13. All of the complaints were made to the Ombudsman by service users, who have the right to approach the LGSCO once they have been through the Council's own complaint process.

RECOMMENDATION/S

- 1) That members note the findings of the Local Government and Social Care Ombudsman and welcome the lessons learned and actions taken in response to the findings

Marjorie Toward

Monitoring Officer and Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Richard Elston Team Manager – Complaints and Information Team

Constitutional Comments (HD (Standing))

14. Governance & Ethics Committee is the appropriate body to consider the content of this report. If the Committee resolves that any actions are required, it must be satisfied that such actions are within the Committee's terms of reference.

Financial Comments (SES 14/02/2024)

15. The financial implications are set out in paragraph 12 of the report.

16. The details of the financial payments are set out in Appendix A.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

APPENDIX A

DECISIONS NOT TO INVESTIGATE FURTHER

| DATE | LGO REF | PROCEDURE | COMPLAINT SUMMARY | REASON FOR DECISION |
|----------|----------|-----------|---|---|
| 07.12.23 | 23012039 | Adults | Ms B says she wants to live with her parents, but the Council will not let her and will not give her a reason | Ombudsman cannot investigate matters decided by Court |
| 17.01.24 | 23013523 | Corporate | Mr X complained the Council failed to maintain a permissive path properly. He said he had mobility difficulties, and the condition of the path made it inaccessible to him during winter months | Ombudsman will not investigate as there is not enough evidence of fault to justify our involvement. |
| 19.12.23 | 23012764 | Corporate | Mr X complains the Council unreasonably rejected his requests for the trees to be pruned or removed; has failed to take into account the impact the trees have on him and his family; is inflexible in the application of its tree policy. Mr X says the trees block the sky, his view and the light, and deposit huge amounts of leaves on his garden. | There is not enough evidence of fault in the Council's decision-making process regarding works to the trees, or in the adoption of its tree management policy, to warrant an investigation |
| 05.12.23 | 23012186 | Corporate | Mr X, complains about advice provided by the Council's Trading Standards team to a trader with whom he is in dispute. He says this has prevented him from rejecting a failed purchase as he believes is his right under consumer protection legislation | The Ombudsman cannot investigate Mr X's complaint about the Council's advice to a trader with whom he was in dispute because the Council provided its advice as part of a private commercial contract with the trader, rather than under as part of a government administrative function. In any event, the injustice Mr X claims stems from the actions of the trader rather than the advice provided by the Council |
| 08.01.24 | 23013042 | Corporate | Ms X complains about the Council's decision her son is not eligible for free school transport | The Ombudsman not investigate Ms X's complaint about the Council's decision her child is not eligible for free school transport. This is because there is no sign of fault by the Council. |

| | | | | |
|----------|----------|-----------|--|---|
| 19.01.24 | 23015971 | Adults | Ms X complained on behalf of the care provider she works for (the Care Provider), about the Council's discharge planning after a care recipient's admission to hospital. She says the Council refused to fund additional hours to facilitate the necessary care package the person had agreed with the Care Provider. She says the Care Provider lost out financially due to the Council's poor planning | The Ombudsman will not investigate this complaint as the Council has now agreed to take suitable action to remedy the financial impact on the Care Provider |
| 20.12.23 | 23012743 | Corporate | Mr X lives in a property with Council-owned trees to the front. He complains the Council has failed to do works to a tree near his property and allowed tree roots to damage the pavement outside his property | The Ombudsman will not investigate Mr X's complaint about the Council deciding not to do work to a tree outside his property and not properly investigating his complaint. There is not enough evidence of fault in the Council's decision-making process regarding the tree works to warrant an investigation. Tree damage to the pavement does not cause Mr X significant personal injustice which justifying investigation |

THERE WERE NO FULL INVESTIGATIONS WHERE NO FAULT FOUND

FULL INVESTIGATIONS WHERE FAULT FOUND

| DATE | LGO REF | PROCEDURE | COMPLAINT SUMMARY | DECISION | RECOMMENDATION | FINANCIAL REMEDY | STATUS OF AGREED ACTION |
|----------|----------|-----------|---|---|--|------------------|--|
| 04.12.23 | 23004455 | Corporate | Mrs X complains about how the Council has handled her | Fault found in how the Council communicated | Apologise to Mrs X for lack of maintenance and for lack of clarity about | £200 | Apology and payment made and previous land |

| | | | | | | | |
|--|--|--|---|--|---|--|---|
| | | | request to purchase a parcel of land near her home that she has been using as a garden for 25 years and the Council's failure to maintain a larger parcel of land next to a new road. | with Mrs X and delays in responses as well as raising expectation for Mrs X about purchasing the land, also how it maintained the land | purchasing the land and remedy payment for distress | | owner has been written to and they don't want to purchase |
| | | | | | | | |
| | | | | | | | |

The Ombudsman's final decision

Summary: Mrs X complained about how the Council managed the purchase of a piece of one piece of land, and the maintenance of another adjacent piece of land. We have found the Council at fault for causing delays, poor communication and lack of a maintenance regime for Council-owned land.

The complaint

1. Mrs X complained about:
 - How the Council has handled her request to purchase a parcel of land (Land A) near her home that she has been using as a garden for 25 years.
 - The Council's failure to maintain a larger parcel of land (Land B) next to a new road. This resulted in a rat infestation.

The Ombudsman's role and powers

2. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused significant injustice, or that could cause injustice to others in the future we may suggest a remedy. (Local Government Act 1974, sections 26(1) and 26A(1), as amended)
3. If we are satisfied with an organisation's actions or proposed actions, we can complete our investigation and issue a decision statement. (Local Government Act 1974, section 30(1B) and 34H(i), as amended)

How I considered this complaint

4. I have considered Mrs X's complaint and have spoken to her about it.
5. I have also considered the Council's response to Mrs X and to my enquiries.
6. Mrs X and the Council had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

What I found

Legal issues

Crichel Down Rules

7. The Crichel Down Rules are non-statutory rules, dating from the 1950s (although they have been revised more recently), relating to the offer back to the previous owners of surplus government land that was acquired from the previous owners by, or under the threat of, compulsory purchase.

What happened

Background

8. Mrs X moved in her property in 1998 and began using Land A as a garden with permission from the landowner. Mrs X's attempt to purchase the land was halted as the Council were considering the compulsory purchase of the land as part of a highway scheme.
9. During 2015 and 2016, the Council completed the highway scheme. It did not compulsory purchase the land in the end but purchased it when it was under threat of compulsory purchase.
10. Land A and Land B remained vacant.

Purchase of Land A

11. Mrs X approached the Council in 2019 to try and purchase Land A. Between 2019 and 2023, Mrs X regularly contacted the Council for an update of the purchase. She recognised that the Covid-19 pandemic would have impacted on the process. In April 2021, the Council apologised for the delay in responding and said it would draft some terms for the sale. After further chasing, in May, the Council confirmed it had drawn up the plans of the site, but it needed to issue terms. Over the next year, Mrs X continued to contact the Council and complained about the lack of response or progress in May 2022.
12. In July 2022, the Council contacted Mrs X. It confirmed that Land A was purchased by agreement in advance of a compulsory purchase order. He explained the Council had to offer back any surplus land to the original vendor before putting it back on the open market.
13. In January 2023, in response to Mrs X's escalation to stage 2 of the complaint process, the Council said it was assessing whether the Crichel Down Rules apply. In March, the Council asked Mrs X to confirm which land she wanted to purchase. In April, the Council asked Mrs X for evidence that she had been using Land A for the past 25 years.
14. In response to my enquiries, the Council said that in an email dated 6 November 2023, legal services confirmed that Crichel Down Rules apply to Land A and the Council intends to contact the previous owner before it can be offered to Mrs X.

Maintenance of Land B

15. In 2021, Mrs X contacted the Council about Land B. She said the Council was not maintaining it as it should, and the land was overgrown, infested with rats and a broken drain was present. Later that month, the Council cleared the site, and dealt with the rats.
16. These problems reoccurred in the summer of 2022 and 2023. Mrs X contacted the Council again. The Council said it had not included Land B within a regular work programme. Instead, it sends annual reminders to the Highways

department. The Council confirmed that Land B is not part of the adopted highway.

My findings

17. In general, the Council's communication with Mrs X has been poor. Mrs X has repeatedly chased the Council for updates regarding the purchase of Land A. From the evidence I have seen, the Council gave Mrs X the impression that it was almost ready to sell to her back in 2021. When in fact, the Council did not confirm the legal status of the land until November 2023, after Mrs X had brought her complaint to us. This raised Mrs X's expectations and caused Mrs X avoidable uncertainty.
18. The Council was at fault for its management of Land B. Mrs repeatedly reported the poor maintenance and the associated problems. The Council could have included the land in a regular work programme rather than relying on annual reminders.

Agreed action

19. Within 4 weeks of my decision, the Council should:
 - a) Apologise to Mrs X for the delays she encountered and for the problems the lack of maintenance of Council land caused her.
 - b) Pay Mrs X £200 for the distress of the uncertainty of the purchase and the fear of rats entering her property.
 - c) Contact the previous owner of Land A to confirm whether they want to buy back the land.
20. The Council should provide us with evidence it has complied with the above actions.

Final decision

21. I have completed my investigation. I have found fault with the Council for the delay in communicating with Mrs X and progressing the purchase of Land A and for failing to implement a regular maintenance routine for Land B.

Investigator's final decision on behalf of the Ombudsman

28 February 2024

Agenda item:5

REPORT OF THE SERVICE DIRECTOR, EDUCATION, LEARNING AND INCLUSION

RESPONSE TO LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN DECISIONS 2024

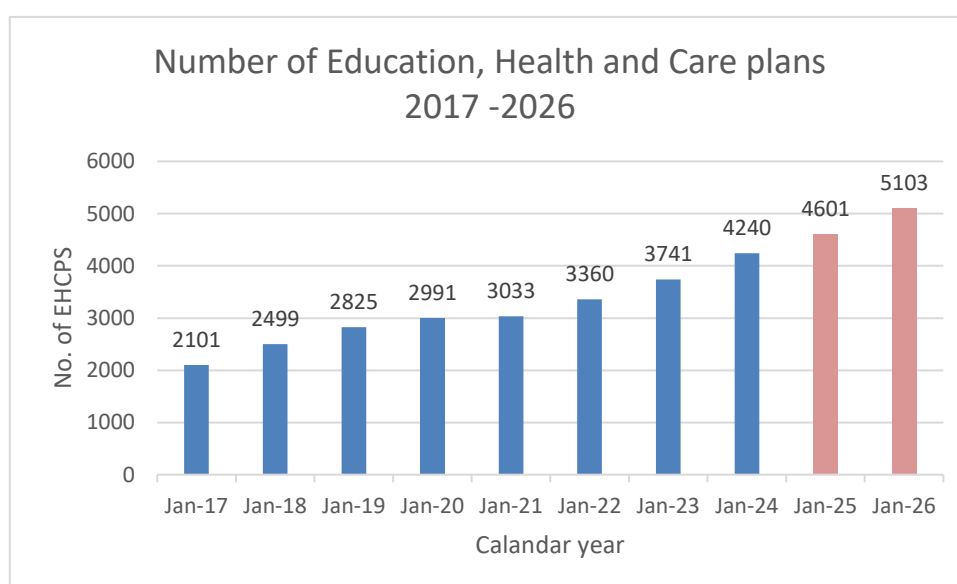
Purpose of the Report

1. The purpose of this report is to provide an update on the improvements made to increase the Local Authority's Education, Health and Care Needs Assessment (EHCNA) performance.

Information

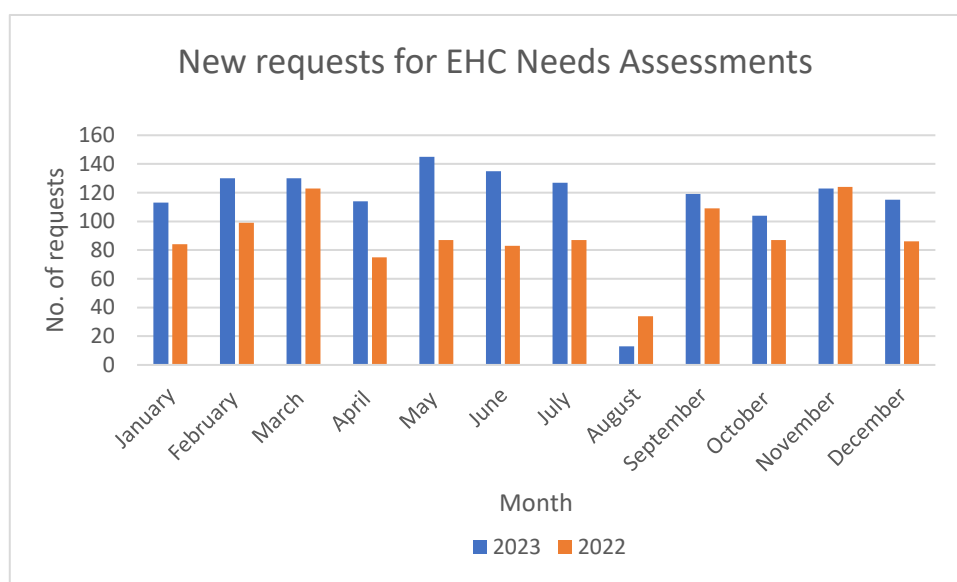
2. Over the last seven years the number of Education, Health and Care Plans (EHCPs) that the Local Authority maintains has increased significantly. The total number of EHCPs has increased from 2,104 in January 2017 to over 4,240 in January 2024. 35% of these EHCPs were made in the previous 2 years.

Table 1 shows the increase in EHCPs maintained by the County Council including projections until January 2026



3. The demand for statutory EHC Needs Assessments continues to increase. In 2023, the Local Authority received 1,368 requests for EHC Needs Assessments, an increase of 26.9% from 2022. In the month of January 2024, the Local Authority received 166 new EHC Needs Assessment requests compared with 113 in January 2023. These increases continue to place services and provision for children and young people under significant pressure.

Table 2 shows the increase in new requests for EHC Needs Assessments



The EHC Needs Assessment process

4. From the point when an assessment is requested until the final EHC Plan is issued, it should be completed within 20 weeks. The local authority must give their decision in response to any request for an EHC Needs Assessment within a maximum of six weeks from when the request was received or the point at which a child or young person was brought to the local authority's attention.
5. When local authorities request information as part of the EHC Needs Assessment process, those supplying the information should respond in a timely manner and within a maximum of six weeks from the date of the request.
6. If a local authority decides, following an EHC Needs Assessment, not to issue an EHC Plan, it must inform the child's parent or the young person within a maximum of 16 weeks from the request for a EHC Needs Assessment. If the local authority agrees to make special educational provision in accordance with an EHC Plan, the final plan should be issued within the 20-week timescale.

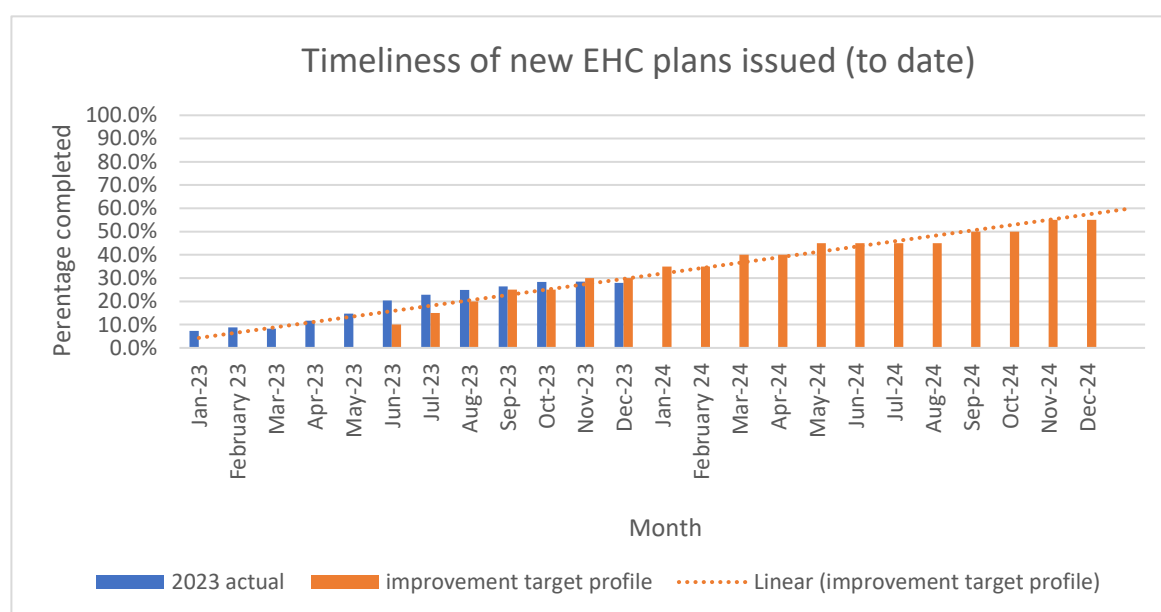
Nottinghamshire's EHC Needs Assessment performance

7. During 2022, Nottinghamshire issued just 4.5% of new EHCPs within 20 weeks.
8. The County Council is fully committed to reducing the length of time it takes to complete EHC Needs Assessment requests through statutory processes and reduce the length of

time it takes to issue EHC Plans. The County Council has provided additional funding to increase the capacity of the Educational Psychology Service and the Integrated Children's Disability Service EHC assessment team. This had had a positive impact:

- More families are now receiving EHCPs within timescales. In 2023, 28% of our children and young people received their EHC Plan within 140 days compared with the year-end position of 4.5% in 2022.
- The backlog for EHC Needs Assessments has reduced.
- More Educational Psychology assessments are now being completed each month.

Table 3 shows the percentage of EHCPs completed within 20 weeks (to date) with the County Council's improvement target projections until December 2024



9. Nottinghamshire remains below the national and statistical neighbour averages for 2022 of 49.1% and 47.8% respectively, though it should be noted that these figures are lower than the averages in 2021 of 59.9% and 55.2% respectively. The Local Authority expects to see the timescale improve in 2024 to be in line with the national average, reaching 55% by December 2024.
10. Timeliness and performance are being reported to each Children and Families Select Committee meeting and are also subject to oversight of the Special educational Need and Disabilities (SEND) Improvement Board monthly.

Factors impacting on performance

11. There are continuing delays to the EHC Needs Assessment process in Nottinghamshire largely due to the County Council, as well as other local authorities nationwide, experiencing a significant increase in the number of EHC Needs Assessments being requested and agreed.
12. The Educational Psychology (EP) assessment is a key piece of information required to inform the assessment of a child or young person's special educational needs and the

provision they require to meet their specific needs. The Local Authority is required to seek psychological advice from an educational psychologist to inform the EHC Needs Assessment, and only then will the Local Authority be able to make the decision on whether to make special educational provision in accordance with an EHC Plan.

13. The increase in demand for EHC assessments is occurring at a time of a national shortage of Educational Psychologists. Subsequently, the delay with carrying out the EP assessment is preventing the Local Authority from completing EHC Needs Assessments within statutory timescales.

Actions taken to improve performance and service delivery

14. The Local Authority has taken a number of steps to address the delays being experienced as a result of a local and national shortage of Educational Psychologists. This includes expanding and recruiting additional internal EP capacity and commissioning locum EPs at significant additional cost. The number of children and young people waiting for educational psychology EHC Needs Assessments reduced from 488 in September 2023 to 338 January 2024.
15. The Educational Psychology service will continue to increase its capacity over the next two years. It is expected that by September 2025 the Educational Psychology Service will have secured nine additional full-time posts. 3.6 of this full time capacity has already been recruited for start dates in September 2024 and 2025.
16. In addition to increased staffing and a long-term recruitment drive, the Educational Psychology Service is continuously considering ways to improve efficiency in their assessment systems. To reduce waiting times, the Local Authority has set a four-week deadline for the EP to complete their assessment from the date of allocation, reducing this timescale by two weeks. More educational psychology assessments are being completed each month; on average 93 young people received an assessment each month so far in 2023/24 compared with 72 in 2022/23 (academic years).
17. Five SEND Education Pathway Officers commenced their role in January 2024. When a request for an EHC Needs Assessment is made, these officers now engage with young people, parents and carers and offer support and challenge to education settings to ensure that children and young people receive the right support at the right time. These officers are connecting with activity under Outcome 3 of the SEND Improvement Priority Action Plan to help children and young people have their needs better met within the Graduated Response Pathway, helping them to access support earlier rather than through an EHC Plan.
18. Despite the measures put in place, the Council is still having to operate a waiting list to access EP input for EHC Needs Assessments at present. To ensure fairness to all children who are waiting for an EHC Needs Assessment to be completed, this waiting list operates on the basis of when the request for assessments is received, however exceptional circumstances are considered on a case-by-case basis. All children and young people who are waiting for an EP assessment have their needs and circumstances reviewed to assess whether they are considered as being in 'exceptional circumstances' before being added to the EP waiting list.

19. The Local Authority has also made a significant financial investment in the EHC Assessment team. Six additional EHC Co-ordinators have been secured in this area to increase capacity to draft new EHC Plans and communicate effectively with parents and carers. Three Senior Practitioner posts have also been secured to ensure that there are appropriate levels of support and supervision across the service.
20. For children and young people who do experience a delay in their EHC Needs Assessment, parents and carers are contacted at regular eight-weekly intervals to explain the delay and the actions that the Local Authority is taking to reduce them.

Other Options Considered

21. The other option considered was not bringing regular reports to the Committee detailing the decisions made by the Local Government and Social Care Ombudsman. This option was rejected as by not having oversight of this report the Committee would not receive assurances that the learnings from Ombudsman cases were leading to improvements in services.

Reason/s for Recommendation/s

22. To enable Members to scrutinise complaints dealt with by the Council that went to the Ombudsman and to inform them of the service improvements being made for the benefit of residents as well as colleagues.

Statutory and Policy Implications

23. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

24. The examples provided are anonymised, this report does not contain any details of people who made a complaint through the Council's own complaints process.

Financial Implications

25. An additional £1.7m has been invested to provide increases in locum EP capacity and fixed term staffing increases, including agency staffing, within the Pre-16 EHCP Assessment Team to support the increased rate of assessment and reduction in EHC timelines in 2023/24.

Implications for Service Users

26. All of the complaints were made to the Council through its own complaints process. Service users have the right to approach the Local Government and Social Care Ombudsman once they have been through the Council's own complaints process.

RECOMMENDATIONS

That:

- 1) Members note the significant increase in the number of Education, Health and Care Needs Assessments being requested and the measures taken to increase the Local Authority's Education, Health and Care Needs Assessment performance.
- 2) Members note that timeliness and performance continue to be reported to each Children and Families Select Committee meeting and is also subject to oversight of the Special Educational Needs and Disabilities Improvement Board monthly.
- 3) The Governance and Ethics Committee receives a further report in 12 months' time to review the progress and the impact of the measures introduced.

Peter McConnochie

Service Director, Education, Learning and Inclusion

For any enquiries about this report please contact:

Robert Briggs
Service Manager, Children and Families
T: 0115 9774522
E: Robert.briggs@nottsgov.uk

Constitutional Comments (LW 08/02/24)

27. Governance & Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments (SS 20/02/24)

28. The financial costs have been identified in **paragraph 25** but the financial costs for 2024/25 will need to be fully identified based on how many agency workers are kept on and what progress will have been made on reducing the number of outstanding EHCPs.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None.

Electoral Division(s) and Member(s) Affected

All.

28 February 2024**Agenda Item:6****REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE
AND IMPROVEMENT****EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2022/23****Purpose of the Report**

1. To note the external auditors' Audit Findings Report 2022/23.

Statement of Accounts 2022/23

2. The deadline for publishing the draft Statement of Accounts 2022/23 was 31 May 2023. Nottinghamshire County Council's and Nottinghamshire Pension Fund's Statement of Accounts 2022/23 were published onto the Council's website on 31 May 2023, well ahead of the deadline.
3. As reported to Governance and Ethics Committee in January 2023, the deadline for publishing the 2022/23 Statement of Accounts with the auditor's opinion was 30 September 2023. Due to widely acknowledged difficulties being experienced in the Local Authority audit sector however, the Authority's Statement of Accounts were not able to be approved by this target date. In fact, only 1% of all local government bodies received an auditor's opinion by the target date.
4. At the Governance and Ethics Committee meeting held on 10 January 2024 approval was delegated to the Section 151 Officer, in consultation with the Chair of Governance and Ethics Committee, to approve the Statement of Accounts 2022/23 on completion of all external audit work. It is anticipated that the Statement of Accounts will have been approved and published on the Council's website prior to this meeting. Prior to publication, the Chairman and S151 Officer will have signed the Statement of Approval and the letters of representation.

Audit Results

5. The statutory audit of the Statement of Accounts 2022/23 has been undertaken by Grant Thornton. The Audit Findings Reports 2022/23 for both the County Council and the Pension Fund have been completed and can be seen in the appendices to this report. It is expected that Andrew Smith (Director – Grant Thornton) will talk through the report and take any questions at this meeting.
6. The statement of accounts is one of the key documents prepared by the Council to demonstrate good governance and value for money. This provides information about the County Council's financial position, performance and cash flows and consequently, shows the results of the stewardship and accountability of elected members and management for the resources entrusted to them, which is of paramount importance in the use of public funds.

Other Options Considered

7. The external auditors are required by statute of the Local Audit and Accountability Act 2014 to report their Audit Findings Report to the Council.

Reason for Recommendation/s

8. To provide information to Members on the External Auditors' Audit Findings Report 2022/23.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

10. That the Committee notes the external auditors' Audit Findings Report 2022/23.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Nigel Stevenson

Service Director (Finance, Infrastructure and Improvement)

Constitutional Comments (KK 19/02/2024)

11. The recommendations fall within the delegation to Governance and Ethics Committee under its terms of reference.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Electoral Division(s) and Member(s) Affected

All

The Audit Findings for Nottinghamshire County Council

Year ended 31 March 2023

28 February 2024

Contents



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Section

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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.

Andrew Smith

Andrew Smith

For Grant Thornton UK LLP
28 February 2024

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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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of 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's financial statements give a true and fair view of the financial position of the Council 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), Narrative Report and Pension Fund Financial Statements), 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 mainly remotely during July – December 2023. Our findings are summarised on pages 4 to 26. We identified several disclosure and presentational issues – some of which have been adjusted by management and some which have not. We did not identify any material misstatements in the Council's Comprehensive Income and Expenditure Statement or Balance Sheet, but we noted five non-material errors which would result in a £4.2m increase in costs and corresponding reduction in net assets if adjusted. Adjusted and unadjusted audit misstatements are detailed in Appendix D.

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

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H) or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter {see Appendix G}; and
- review of the final set of financial statements

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.

Our anticipated audit report opinion will be unqualified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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 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 completed our VFM work, which is summarised on pages 25-26, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 (medium term financial sustainability) as reported in our Audit Plan on 19 July 2023. We have completed our work in this area, and we did not identify any significant weaknesses in the Council's arrangements. Further commentary is included in the value for money arrangements section of this report (Section 3) and in our Auditor's Annual Report, which is presented alongside 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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

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

1. Headlines

National context – audit backlog

Nationally, there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to issue a timely audit opinion under the circumstances.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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 and will be discussed with the Governance and Ethics Committee at its meeting on 28 February 2024.

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's business and is risk based, and in particular included:

- An evaluation of the Council'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

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the meeting of the Governance and Ethics Committee on 28 February 2024, as detailed in Appendix H. These outstanding items include:

- receipt of management representation letter {see Appendix G}; and
- review of the final set of financial statements

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.

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.

Materiality levels remain the same as reported in our audit plan on 19 July 2023.

We detail in this table our determination of materiality for Nottinghamshire County Council.



| | Amount (£'000) | Qualitative factors considered |
|---|----------------|--|
| Materiality for the financial statements | 20,960 | We determined materiality for the audit of the Council's financial statements as a whole to be £20.96m in our audit plan which equated to approximately 1.5% of the Council's 2022-23 gross operating expenses. Gross expenditure is considered the most appropriate benchmark because we consider the users of the financial statements to be most interested in how the Council has expended its revenue and other funding. As a firm we cap materiality at 1.5% for large and complex authorities such as Nottinghamshire County Council to reflect the risk and regulatory expectation of audit firms. |
| Performance materiality | 14,670 | Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <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 of significant misstatements arising. • Senior management and key reporting personnel have remained largely stable from the prior year audit. |
| Trivial matters | 1,000 | Triviality is the threshold at which we will communicate misstatements to the Governance and Ethics Committee. |
| Materiality for senior officer remuneration disclosures | 20 | Lower materiality applied to senior officer remuneration disclosures due to heightened public interest in this area of the accounts. |

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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 | 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.</p> <p>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 Council, 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, 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.</p> | <p>No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands.</p> <p>Although the significant risk has been rebutted, the material value of the Council’s revenue transactions has required us to carry out audit procedures.</p> <p>There were no findings in relation to fraud, and no errors above the trivial level to report to you.</p> |
| <p>Fraud in expenditure recognition – Practice Note 10 (rebutted)</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>We have considered this risk for the Council and have determined it to be appropriate to rebut this risk based on limited incentive and opportunity to manipulate expenditure.</p> | <p>No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands.</p> <p>Although the significant risk has been rebutted, the material value of the Council’s expenditure transactions has required us to carry out audit procedures.</p> <p>There were no findings in relation to fraud, and no errors above the trivial level to report to you.</p> |

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Management over-ride of controls

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.

The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

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.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and 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 made by management and considered their reasonableness with regard to evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Conclusion

In our prior year audit findings, we reported an issue which we consider to be a control deficiency in the journal entry process. This relates to the users' ability to both post and approve their own journals.

We confirmed that users were still able to post and approve their own journal during 2022/23. We did note some mitigation to the risk because management have implemented a detective control to ensure self-approved journals are retrospectively identified and approved. We do however roll-forward our recommendation in relation to introducing an automated preventative control in Appendix C.

Due to this matter existing, we searched all journals that were self-approved in 2022/23 but did not identify any.

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 material estimates included in the financial statements (see pages 13 – 16); nor in the selection of accounting policies.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings, surplus assets and investment property (value £767.8m – prior year £808.9m)– *specifically for assets where valuation movements fall outside of auditor expectation*

The Authority revalues its land and buildings and surplus assets on a rolling five-year basis as per its interpretation of the Code. Investment properties are valued on an annual basis in line with the accounting Code.

To ensure the five-year valuation programme for land & buildings and surplus assets does not lead to material differences in carrying values, the Authority carries out a desktop valuation or requests a desktop valuation from its valuation expert. Valuations 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.

Within the valuation of the Authority's land and buildings and investment properties, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. For land and buildings, these include but are not limited to build cost indices, the size and location of the building and any judgements that have impacted this assessment and the condition of the buildings. For investment properties, these include yields used in the valuation and estimated future rentals from the investment properties.

We therefore have identified that the accuracy of the key inputs and assumptions used in the valuation of land and buildings and investment properties as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- 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 and source data 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

Conclusion

Our audit work on the valuation of the Council's land and buildings, surplus assets and investment properties is complete. There are no material matters to report to you. We identified three non-material errors in the valuation of investment properties. Two of these were due to incorrect assumptions being applied in the valuation calculation due to human error. The third due to inappropriate judgement of the classification of the asset as an investment property. These are scheduled in Appendix D and have not been adjusted in the financial statements on the basis that they are immaterial.

Also refer to the detailed assessment of the estimation process as described on pages 13-15 of the report

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability- (value £297.2m – prior year £1,317.1m)

specifically with regard to the appropriateness of assumptions used to determine the valuation

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.

We do not believe there is a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation or due to the source data used in their calculation.

However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. As noted above, the appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. However, the Council may choose to use different assumptions than those proposed by their 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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.

We therefore identified the assumptions used to determine the valuation of the Authority's pension fund net liability as a significant risk.

We have:

- 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 evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the 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 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.

Conclusion

Our audit work on the valuation of the Council's net pensions liability is complete. There are no material matters to report to you. We have the following non-material matters to report to you:

1. We were informed by the auditor of the Pension Fund of one finding from the 22/23 Pension Fund audit relating to an overstatement of the valuation of pooled investment vehicle fund asset. We estimate the Council's share of the net assets overstatement to be £3.5m – this is based on the Council's share of overall fund assets. The issue is not material to the Council's financial statements. This is reported as an unadjusted misstatement in Appendix D.
2. We noted some disclosure errors in the notes to the net pension liability which management have adjusted the financial statements for. This is reported in Appendix D.

Also refer to the detailed assessment of the estimation process as described on page 16 of the report

2. Financial Statements: new issues

This section provides commentary on new issues which were identified during the course of the audit that were not previously communicated in the Audit Plan.

| Issue | Commentary | Auditor view |
|--|--|---|
| Assets Under Construction- timely accounting of property reclassifications | We identified that spend of £11.3m which was reclassified from Assets under Construction to Infrastructure Assets in 2022/23 should have been reclassified in the prior year when the capital scheme completed. | The Council should look to improve its capturing of completion dates and associated accounting to ensure PPE reclassifications are carried out in the year to which they relate. We have raised this as an Action Plan point in Appendix B. |
| Various misclassification and disclosure issues | We identified various misclassification and disclosure issues, some of which have been adjusted for by management, and others which remain unadjusted in the final set of financial statements. Full details are included in Appendix D. | Unadjusted disclosure issues should be addressed in future years to ensure compliance with the CIPFA Code. |

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 |
|--|--|---|--|
| Land and Building valuations – £612.4m Of which: <ul style="list-style-type: none"> revalued in year £428.6 (70%) not revalued in year £183.8m (30%) | <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 2023 on a five yearly cyclical basis. By value, 70% of the Council's total land & buildings were revalued during 2022/23. 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. The valuer has determined that there is no material change for these assets.</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 in the accounts was £612.4, a net decrease of £2.6m from 2021/22 (£615.0m).</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 10 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. | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

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>Surplus Assets valuations – £94.9m</p> <p>Of which:</p> <ul style="list-style-type: none"> revalued in year £67.5m (71%) not revalued in year £27.4m (29%) | <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 2023. By value, 71% of the Council's total surplus assets were revalued during 2022/23.</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. The valuer has determined that there is no material change for these assets.</p> <p>The total year end valuation of surplus assets was £94.9m, a net decrease of £37.9m from 2021/22 (£132.8m). The decrease in value was largely due to the transfer of an asset to the 'held for sale' asset category.</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 10 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 10 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>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

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

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2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|--|---|---|
| Investment Property Valuation - £60.5m Of which: <ul style="list-style-type: none"> revalued in year £60.5m (100%) | <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 2023. 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 £60.5m, a net decrease of £0.6m from 2021/22 (£61.1m).</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 We have analysed and are satisfied with the method, data and assumptions used by management to derive the estimate. We identified three non-material errors as set out on page 10 and in Appendix D. The estimate is adequately disclosed in the financial statements. | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> <p>We identified three non-material errors as set out on page 10 and in Appendix D.</p> |

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

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2. Financial Statements - key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|------------|---------------|-----------|------------|---------------|-------|---------------------|-------|-----------------------------|---------------------------------|---------------------|-------|---------------|------|---------------------------------------|-------|--|---------------|-----------------------------|-------|--|---------------|-----------------------------|-------|--|
| Net pension liability – £297.2m | <p>The Council's net pension liability at 31 March 2023 is £297.2m (PY £1,317.1m) comprising both the Nottinghamshire Pension Fund Local Government Pension Scheme ('LGPS' - £237.7m) and the Teachers Unfunded Defined Benefit Pension Scheme ('unfunded' - £59.5m) 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.</p> <p>The latest full actuarial valuation was completed as at 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £1,112.8m net remeasurement gain in 2021/22 (£294.5m gain during prior year).</p> | <ul style="list-style-type: none"> 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 auditor's expert (PwC) to assess the actuary and assumptions made by the actuary for the LGPS: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>RAG rating</th></tr> <tr> <td>Discount rate</td><td>4.80%</td><td>4.80% to 4.85% p.a.</td><td>Green</td></tr> <tr> <td>Pension increase rate (CPI)</td><td>2.9% (LGPS) 2.85% (unfunded)</td><td>2.65% to 2.95% p.a.</td><td>Green</td></tr> <tr> <td>Salary growth</td><td>3.9%</td><td>0.5% to 2.5% p.a. above CPI inflation</td><td>Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.0/ 20.7</td><td>20.9 – 23.4/ 19.5 – 22.1</td><td>Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.0/ 23.5</td><td>24.3 – 25.9/ 22.9 – 24.5</td><td>Green</td></tr> </table> <p>We have considered:</p> <ul style="list-style-type: none"> 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 the decrease in the estimate The adequacy of disclosures of the estimate in the financial statements | Assumption | Actuary Value | PwC range | RAG rating | Discount rate | 4.80% | 4.80% to 4.85% p.a. | Green | Pension increase rate (CPI) | 2.9% (LGPS) 2.85% (unfunded) | 2.65% to 2.95% p.a. | Green | Salary growth | 3.9% | 0.5% to 2.5% p.a. above CPI inflation | Green | Life expectancy – Males currently aged 45 / 65 | 22.0/ 20.7 | 20.9 – 23.4/ 19.5 – 22.1 | Green | Life expectancy – Females currently aged 45 / 65 | 25.0/ 23.5 | 24.3 – 25.9/ 22.9 – 24.5 | Green | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |
| Assumption | Actuary Value | PwC range | RAG rating | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 4.80% | 4.80% to 4.85% p.a. | Green | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate (CPI) | 2.9% (LGPS) 2.85% (unfunded) | 2.65% to 2.95% p.a. | Green | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.9% | 0.5% to 2.5% p.a. above CPI inflation | Green | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45 / 65 | 22.0/ 20.7 | 20.9 – 23.4/ 19.5 – 22.1 | Green | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45 / 65 | 25.0/ 23.5 | 24.3 – 25.9/ 22.9 – 24.5 | Green | | | | | | | | | | | | | | | | | | | | | | | | |

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

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2. Financial Statements: Information Technology

We completed procedures to assess the design & implementation of controls over Nottinghamshire County Council's IT environment in relation to the financial ledger system (SAP). We completed the following tasks as part of the IT Audit:

- Evaluated the design and implementation effectiveness for security management; change management and technology infrastructure controls
- Performed high level walkthroughs; inspected supporting documentation and analysis of configurable controls in the above areas.

IT general controls assessment:


The following control weaknesses were noted in Nottinghamshire County Council's general IT control environment:

| Assessment | Issue and risk | Recommendations | Additional audit procedures |
|---|---|---|--|
|  (significant deficiency) | <p>SAP Support staff and vendors with DEBUG access in SAP.</p> <p>We reported this issue in our 2020/21 and 2021/22 audit findings reports.</p> <p>We found that 5 users still had debug access in the production client. These were DL44, EW36, HB37, MW244, NN4. Access was live until July 2022 at which point management removed the access in response to our audit findings.</p> <p>We consider that the level of access afforded is an enabler for fraud.</p> | <p>We recommended that management removes the DEBUG access rights.</p> <p>Management response</p> <p>Our prior year recommendation in Appendix C was actioned by management in July 2022.</p> <p>We have no further recommendations to make.</p> | <p>We considered the risks for 2022/23, given that access was in place until July 2022, and designed audit procedures to enable us to conclude that the risk of a material misstatement due to fraud in the Council's accounts was suitably low. These procedures included:</p> <ul style="list-style-type: none"> - Identifying, risk-assessing, and testing where necessary all journals posted by the identified users for validity - Testing the validity of all other journal posters to confirm they were valid employees of the Council - Documenting and assessing system controls which ensure the validity of suppliers and employees who receive payments from the Council. <p>We have no issues to bring to your attention as a result of this testing.</p> |

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach


2. Financial Statements - Information Technology

| Assessment | Issue and risk | Recommendations | Additional audit procedures |
|---|--|--|---|
|  (deficiency) | <p>Users with inappropriate access to maintain all SAP Standard or Customised tables in production</p> <p>Our audit procedures identified 20 user accounts that were assigned access to maintain all SAP standard or customised tables via SM30 or SM31.</p> <p>We performed further procedures to determine if any unauthorised users noted above customised or made changes to any tables during the audit period and noted that none of the users had maintained or customised critical tables.</p> <p>Risks</p> <p>Access to maintain all standard or customised SAP tables creates a risk that unauthorised table maintenance functions can be performed and result in data integrity issues.</p> | <p>Management should segregate a user's ability to maintain all the standard or customised SAP tables within production.</p> <p>We recommend that for all the users identified, management should consider assigning access to relevant table groups or individuals tables via S_TABU_DIS and S_TABU_NAM authorisation objects, rather than assigning the '*' authorisation value to restrict the level of access granted to users.</p> <p>Management response</p> <p>The 20 users identified are based in the SAP support (Competency Centre) or Payroll Support (Payroll Control) teams.</p> <p>For the SAP support (Competency Centre) team – access has been changed and limited to display-only as of February 2024.</p> <p>For the Payroll support (Payroll Control) team – three role authorisation updates/amendments were required. Two of the three have been completed in February 2024. The third change is interdependent on the investigation/outcome of page 19, point 2 where we continue to investigate. In the meantime, the ProfileTailor Dynamics software continues to monitor when a user accesses a table, to provide a notification to the Authorisations & Security team. In addition, any occurrence is reported to Internal Audit on a monthly basis for their review.</p> | <p>We considered the risks for 2022/23 and designed audit procedures to enable us to conclude that the risk of a material misstatement due to fraud in the Council's accounts was suitably low. These procedures included:</p> <ul style="list-style-type: none"> - Identifying, risk-assessing, and testing where necessary all journals posted by the identified users for validity <p>We have no issues to bring to your attention as a result of this testing.</p> |


Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

2. Financial Statements - Information Technology

| Assessment | Issue and risk | Recommendations | Additional audit procedures |
|---|---|--|---|
|  (deficiency) | <p>Segregation of duty conflicts within SAP Batch control</p> <p>We noted 10 Dialog (A) unique user accounts from Finance and Payroll Services team with access to monitor their own batch jobs using SM37 transaction were assigned to Business users. The authorisations S_BTCH_ADM and S_BTCH_NAM permits these users to access, schedule and monitor any batch job within SAP that may not be commensurate with their job roles.</p> <p>As a result of these authorisations assigned, we performed further procedures to assess whether changes were made to programs, master data and accounting document headers. We noted that none of the identified 11 Dialog (A) users had made changes to master data or Auditor Assistant accounting document headers. However, we were unable to investigate whether these 10 Dialog (A) users have scheduled any batch jobs or made changes to any of the batch jobs made any program attributes changes or master data changes and changes to table data stored within SAP during the audit period as the SM20 and SM21 logs could not be made available due to system error while extraction of logs.</p> <p>Risks</p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> - unauthorised changes being made to system parameters - creation of unauthorised accounts, - unauthorised updates to their own account privileges - deletion of audit logs or disabling logging mechanisms | <p>Management should adopt a risk-based approach by creating a segregation of duty matrix.</p> <p>Management should consider assigning SM37 access to business users without S_BTCH_ADM and S_BTCH_NAM authorisation objects.</p> <p>We recommend that for the users identified, management should consider limiting access to the batch jobs management via the authorisation object S_BTCH_JOB and JOBACTION to 'LIST', 'PROT' and 'SHOW'.</p> <p>If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities, e.g. reviewing reconciliations of account balances.</p> <p>Management response</p> <p>For the users identified from Finance team, the access will be completely removed. Target completion by end of October 2023</p> <p>Access to SM37 is required for Payroll Support (Payroll Control) team to-</p> <ol style="list-style-type: none"> 1. Access the spool (exporting spool results) as part of running/managing the payrolls. E.G., Payroll Run summary (for error checking) and FPS/EPS (HMRC submissions). Completed October 2023. <p>Note the Payroll Support (Payroll Control) team manage payroll processing. There is a separate team who provide operational /transactional payroll services</p> <ol style="list-style-type: none"> 2. Cancelling payroll batch jobs <p>The recommendation by Grant Thornton to specify the batch jobs required by this team in S_BTCH_NAM authorisation objects does not fulfil the objective/ does not work. We continue to investigate any further options.</p> | <p>We considered the risks for 2022/23 and designed audit procedures to enable us to conclude that the risk of a material misstatement due to fraud in the Council's accounts was suitably low. These procedures included:</p> <ul style="list-style-type: none"> - Identifying, risk-assessing, and testing where necessary all journals posted by the identified users for validity <p>We have no issues to bring to your attention as a result of this testing.</p> |


2. Financial Statements - Information Technology

| Assessment | Issue and risk | Recommendations | Additional audit procedures |
|---|--|--|-----------------------------|
|  improvement opportunity | <p>Users with inappropriate access to ABAP debugger in production</p> <p>We noted that there were 6 active Dialog(A) accounts assigned with access to ABAP Debugger from Finance and Payroll team in production granted via S_DEVELOP authorisation object in change mode.</p> <p>ABAP debugger is used for performing debugging functions such as inserting a code to correct any errors in the source code. Users are therefore able to execute unauthorised transactions through these amendments to code. However, upon validation of access rights granted to these users as a part of S_DEVELOP access, we noted that they were not provided any rights to make changes to the code.</p> <p>Risks</p> <p>Unauthorised access to ABAP debugger granted via S_DEVELOP authorisation object in change mode increases the risk of unauthorised change or deletion of table entries including tables that are typically protected by SCC4, the ability to perform debugging functions by inserting break-point statements into program code and the ability to bypass authority checks and execute transactions user is not authorised to execute through inserting break-point statements into program code and bypassing authority checks .</p> | <p>It is recommended that the management remove ABAP debugger access permanently from production.</p> <p>It is best practise to use Firefighter accounts with an approved business case and set validity period.</p> <p>Management response</p> <p>The 6 dialogue users identified with access to ABAP Debugger via the S_DEVELOP authorisation object in change mode are not able to execute unauthorised transactions through these amendments to code. The access is limited to view only which therefore prevents any amendments. Further evidence submitted to substantiate this.</p> <p>We have actioned the removal of display access and the changes will be tested and transported into Production during October 2023.</p> <p>Completed October 2023.</p> | <p>None required.</p> |

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

2. Financial Statements - Information Technology

| Assessment | Issue and risk | Recommendations | Additional audit procedures |
|---|---|--|-----------------------------|
|  improvement opportunity | <p>Weak password configuration settings for SAP</p> <p>We identified that the public password for the SAP standard user, SAPCPIC within Support client (i.e.,001) and TMSADM in Client 400 was set as default after installation.</p> <p>Risks</p> <p>Default passwords are easily guessable and tend to become known by other users if they are in continued use over a long period of time.</p> | <p>The Council is recommended to change the default password set for SAP standard user SAPCPIC within Support client (i.e.,001) and TMSADM in Client 400</p> <p>Management response</p> <p>SAPCPIC/TMSADM – We will investigate the impact of changing these system passwords with our support partner</p> <p>Target completion by end of October 2023.</p> <p>This remains under investigation with our support partner.</p> | <p>None required.</p> |

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

2. Financial Statements: other communication requirements

| 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 | <p>The following issues were identified:</p> <ol style="list-style-type: none"> We routinely cross-check the completeness of Member and Officer declarations of interests against Companies House records. We noted 10 instances of incomplete declarations of interests completed by members and queried these with management. We completed additional work to search whether any transactions had occurred with the newly identified related parties. We identified no material omissions in the disclosure note. We raised a recommendation in the prior year audit findings report that the Council strengthens its declaration of interest process following similar findings in 2021/22 - see Appendix C. Our recommendation is carried forwards. We found that in preparing the related parties note, Management had not searched for transactions where the related party was a customer of the Council, they had only considered where a supplier relationship existed. Further transactional searches were carried out and verified. We noted one additional transaction to be disclosed in the accounts, relating to the write off a £130k loan made to a Charitable Trust which had entered into liquidation, where a member of the Council was Chairman. The sum is material to the related party making this disclosable.- see Appendix D. We recommend management builds this check into their processes going forwards- see Appendix B. The related party transactions note sets out the value of in-year transactions and year-end balances that the Council had with its group companies. Non- material differences were noted when comparing some of these values to the audited accounts of the group companies. Differences ranged from £1.0m to £4.9m and were applicable to related party transactions and balances with Via East Midlands, ARC Property Partnership and Futures Advice, Skills and Employment Ltd. Also, reference to SCAPE Group Ltd should be removed from the note as the Council does not have significant influence or control over the entity. We report these issues in Appendix D. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidents 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, which is appended. |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to bodies with which the Council holds cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent. All requests were returned with positive confirmation. |
| Accounting practices | We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, see Appendix D for disclosure changes proposed. |
| Audit evidence and explanations/ significant difficulties | All information and explanations requested from management were 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>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul 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>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 style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul 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, Narrative Report and Pension Fund Financial Statements), 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/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix H</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> |
| 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>For Nottinghamshire County Council, this work is not required as the Council does not exceed the £2 billion reporting threshold.</p> |
| Certification of the closure of the audit | <p>We intend to certify the closure of the 2022/23 audit of Nottinghamshire County Council in the audit report, as detailed in Appendix H.</p> |



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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

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3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report.

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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

| Risk of significant weakness | Procedures undertaken | Conclusion | Outcome |
|--|--|---|---|
| <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 (FY2023/24), it is has identified a need to deliver significant year on year savings to achieve a balanced budget in the medium term. The council has identified a funding gap of £30.8m from 2025-2027. There remain significant uncertainties in the position going forward, due to uncertainty over future funding decisions and the performance of the wider economy and market factors - the Council’s plans for medium term financial sustainability need to remain flexible and be robust.</p> | <ul style="list-style-type: none">conducted interviews with senior officers and Service Directors;examined minutes and relevant papers of Council, Cabinet and Committee meetings including the MTFP;documented our understanding of the arrangements the Council has in place in respect of financial sustainabilitymade an assessment of those arrangementsgathered sufficient evidence to support the commentary on the body's arrangements in the Auditor’s Annual Reportconfirmed our work has not highlighted any further risks of significant weaknesses in arrangements that weren't identified at the initial planning stage | <p>A significant weakness in arrangements has not been identified</p> | <p>The Auditor’s Annual Report provides commentary of the Council’s arrangements. No significant weaknesses are reported. Improvement recommendations are reported, some of which are new and some of which were first raised in prior years and remain to be fully implemented by the Council.</p> |

4. 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 E.

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 [Grant Thornton International Transparency report 2023](#).

4. 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.

| Service | Fees £ | Threats | Safeguards |
|---|---------------------------|---------------|--|
| Audit related | | | |
| Certification of Teachers' Pensions return (County Council) | 7,500 (21/22) | Self Interest | The level of this recurring fee taken on its own is not considered a significant threat to independence as the two-year fees for this work total £17,500 in comparison to the total fee for the audit of £134,074 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. |
| | 10,000 (22/23) | 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 (County Council) | 15,000 (year to Oct 2023) | 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 was £15,000 in comparison to the total fee for the audit of £134,074 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. |

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Ethics Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

| Matter | Conclusion |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Council |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Council's members, senior management or staff that would exceed the threshold set in the Ethical Standard. |

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | • | |
| Confirmation of independence and objectivity | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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 | Recommendations |
|------------|---|---|
| Medium | IT control issues Please see details of these on pages 18-21 | See pages 18-21 for recommendations and management responses. |
| Medium | Assets Under Construction- timely accounting of property reclassifications We identified that spend of £11.3m which was reclassified from Assets under Construction to Infrastructure Assets in 22/23, should have been reclassified in the prior year when the capital scheme completed. | The Council should look to improve its capturing of capital project completion dates and associated accounting to ensure PPE reclassifications are carried out in the year to which they relate. Management response This issue was related to a highly complex multi-year project involving both Building and Infrastructure components where it was not realised that partial completion had occurred within an earlier financial year. Projects of this nature are rare. As a mitigating action, we have updated our internal process in relation to how we determine levels of completion of complex AUC projects. |
| Medium | Related parties- customer transactions We found that in preparing the related parties note, Management had not searched for transactions where the related party was a customer of the Council, they had only considered where a supplier relationship existed. Further transactional searches were carried out and verified. No material omissions were noted. | We recommend management builds this check into their processes going forwards. Management response An analysis of Customer transactions has now been added to the process to remedy this issue. |
| Medium | Prior year audit recommendations Appendix C sets out the prior year recommendations made to management. We found these had not all been implemented fully. | We recommend management addresses the outstanding recommendations in Appendix C. Management response See responses in next section |

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council's prior year financial statements, which resulted in five new recommendations being reported in our 2021/22 Audit Findings report and the carry-forward of two unresolved recommendations from 2020/21. We have followed up on the implementation of our recommendations and note four are still to be completed.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| ✓ | <p>Academy school transfers – land and buildings not derecognised</p> <p>We recommended that management strengthen the process around the identification of academy transfers and the resulting derecognition accounting required as there is otherwise a risk of an inaccurate carrying balance for land and buildings.</p> | <p>Management update:</p> <p>Additional checks undertaken for 22/23 to ensure that the total conversions on the DfE report is reflected in the asset register on the final version prior to journals being processed. Therefore, any errors in formula in the spreadsheet (if there were any) would be flagged at this point.</p> <p>Auditor findings and conclusion:</p> <p>No similar issues identified. Matter considered closed.</p> |
| X | <p>Declaration of interests – undeclared interests</p> <p>We recommended that the Council strengthens its declaration of interest process as there is otherwise a risk of incompleteness of related party disclosures.</p> | <p>Management update:</p> <p>Members team liaise with Councillors to encourage declarations, Finance team with Officers.</p> <p>Auditor findings and conclusion:</p> <p>Similar issues have been identified in 2022/23 in relation to undeclared interests. We recommend the process is further strengthened.</p> <p>Management response:</p> <p>The declaration process will be further reviewed in conjunction with a revised Members Code of Conduct which is now developed.</p> |
| ✓ | <p>SAP Support staff and vendors with DEBUG access in SAP</p> <p>We recommended that the Council removes this access privilege from the five identified user accounts as we consider it to be an enabler for fraud.</p> | <p>Management update:</p> <p>The access was removed in July 2022.</p> <p>Auditor findings and conclusion:</p> <p>Matter considered closed.</p> |
| X | <p>Internal recharge transactions not separately identifiable</p> <p>We recommended that recharge transactions should be coded in such a way that they can be separately reported on for management and auditor information.</p> | <p>Management update:</p> <p>SI doc types have meant partial isolation of internal recharges, project to define recharges on going</p> <p>This is an on-going project which will deliver improvements in 2023/24</p> <p>Auditor findings and conclusion:</p> <p>The project is ongoing so is not yet fully resolved.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| ✓ | <p>Fully depreciated vehicles, plant, furniture and equipment not disposed</p> <p>We recommended that management review its fully depreciated assets listing routinely to identify assets which should be disposed of. Should it be identified that a high balance of fully depreciated assets are in continuing use, we recommend the Council reviews its useful economic lives and depreciation accounting policies.</p> | <p>Management update:</p> <p>Deep dive review of fully depreciated assets undertaken 22/23 and some historic material entries written out as a result. Ongoing approach also reviewed. Fully depreciated asset review and associated review will continue to be undertaken annually</p> <p>Auditor findings and conclusion:</p> <p>We identified the gross cost balance of fully depreciated assets to be £12.7m which is not material for 2022/23. We recommend that management continues its review process to ensure this does not become a material issue in future.</p> |
| X | <p>Payables and Receivables reports- first reported in 2019/20</p> <p>We recommended that the Council improves the listings it holds to support the breakdown of year end debtors and creditors.</p> | <p>Management update:</p> <p>Listings for vendors and customers accruals in full now available. Manual accruals and system accruals to be added for full picture</p> <p>Auditor findings and conclusion:</p> <p>Improvements have been made with regards to the availability of usable reports. This could further be improved by consolidating balances into one overall breakdown for each of debtors and creditors.</p> <p>Management response:</p> <p>We are committed to improving these reports where possible within the constraints of relevant system outputs</p> |
| X | <p>Journals controls- self authorisation</p> <p>We recommended that automated preventative segregation of duty controls are built into the finance system to prevent transactions being posted and approved by the same user.</p> | <p>Management update:</p> <p>The Senior Practitioner - Accounting and Income Team produces a monthly report which details any self-approved journals. If any are identified retrospective approval is sought from the manager</p> <p>Auditor findings and conclusion:</p> <p>Automated preventative controls have not been put in place however a retrospective review of self-approved journals was found to be in place. Additional audit procedures were required in this area due to the lack of automated preventative control.. No self-approved journals were identified.</p> <p>Management response:</p> <p>We feel that the mitigations already in place are sufficient to address this recommendation based on existing system functionality.</p> |

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

There were no adjusted misstatements to the primary statements for the year ended 31 March 2023.

Misclassification and disclosure changes

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

| Disclosure area | Auditor recommendations | Adjusted? | Management comment |
|--|---|-----------|--|
| Narrative Report | The LOBO balance disclosed £90m was inconsistent with the audited accounts which state £60m. | Yes | Amended. |
| Narrative Report | Paragraph 37 "Performance"- this section focuses on the successes against plan but should be more balanced and include areas where the Authority has fallen short/ where improvement is needed. | No | The Narrative Report will be reviewed as part of 2023/24 accounts |
| Movement in Reserves Statement (MiRS), Balance Sheet and EFA | General Fund balance not clearly disclosed The 'usable revenue reserves balance' on the face of the MiRS and balance sheet should be broken down into the 'general fund balance' and other usable reserves as required by the Code. The General Fund is a statutory reserve and the balance on it should be made clear in the accounts. The current presentation does not readily assist comparison by the reader when referencing multiple Local Authority Accounts. We have reported this issue in previous years. Management did not amend. | No | We are satisfied that the current format and wording gives the reader a sufficient insight into our usable revenue reserves and is consistent with our Annual Budget Reports and monthly monitoring reports. The General Fund balance is clearly identifiable on the Balance Sheet and other notes throughout the accounts. |
| Movement in Reserves Statement (MiRS) | £44.335m capital grants unapplied movements – presentation not in line with Code Per the Code, where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund to the capital adjustment account. It would only be transferred to the CGU reserve if expenditure was not incurred by the balance sheet date. The Council transferred £43.335m, contrary to this guidance. Management chose not to amend. A similar error is present in the prior year comparators – value £63.915m. | No | The mechanics of the adopted NCC capital grant process, whilst acknowledged to be elaborate, ultimately delivers the same net result. The CAA receives the grant income when utilised via capital financing and the MiRS balances to that effect. |

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D. Audit Adjustments

Misclassification and disclosure changes (continued)

| Disclosure area | Auditor recommendations | Adjusted? | Management comment |
|--|---|-----------|---|
| Movement in Reserves Statement (MIRS) | Reserves held by schools not disclosed The classification of reserves presented in the Movement of Reserves Statement did not separately identify the total reserves held by schools either in the Statement nor in the notes. | No | We do not propose to adjust the MIRS on account of this recommendation. The Schools Reserve is clearly identifiable on the Balance Sheet and other relevant notes throughout the accounts. |
| Expenditure and Funding Analysis (EFA) | EFA presentation not in line with IAS 8 requirements IAS8 requires that this note should reconcile the financial information routinely reported to management with the income and expenditure disclosed in the statutory accounts. The table presented in the draft accounts does not use the management accounts as a starting position. Consequently, there is a material unexplained difference of £36.5m between the management accounts and the first column in the EFA note. We recommended that management should increase the number of columns in the table to five such that this material difference can be adequately explained. Management have chosen instead to insert a footnote to the table. Our view is that the adjustments should be broken down by service and by adjustment type and the disclosure should be further improved. | Partially | We have partially adjusted to explain that our format differs in order to mirror the manner in which our decision makers see depreciation in the management accounts. This note therefore reflects the budget arrangements of the Authority as is our discretion. We believe that adding another column would add confusion / clutter which, on the basis of queries received from the reader to date, will add no benefit. |
| Critical judgements | Funding levels We disagree that this constitutes a critical judgement as defined by the Code and recommend it is removed from the note. | No | We will review this section as part of 23/24 accounts |
| Estimation uncertainty disclosure | Estimation uncertainty disclosure requirements not met For each relevant asset/liability identified as having material estimation uncertainty the Code requires disclosure in this note of: the carrying amount of the asset/liability in the accounts; the nature of the assumption/other estimation uncertainty, i.e. which assumptions used in the calculation are most uncertain; the sensitivity of each assumption underlying the calculation; and the range of reasonably possible outcomes within the next financial year. Management did not amend the note to meet all the criteria required. | No | The code is clear in that judgement is required regarding the extent of supporting disclosures that are appropriate for a specific item. We are of a view that we should only include disclosures that are material to the presentation of a 'true and fair' view of the financial position and to ensuring that the understanding of users of the financial statements is not obscured by excessive detail. Our view is that the existing disclosures are proportionate. |

D. Audit Adjustments

Misclassification and disclosure changes (continued)

| Disclosure area | Auditor recommendations | Adjusted? | Management comment |
|--|---|-----------|---|
| Estimation uncertainty disclosure | Estimation uncertainty disclosure requirements not met A sensitivity analysis is provided for the impact of a market drop on properties. The analysis, however, is limited to those properties that were revalued in year only. We recommend this is extended to cover the market impact of all properties held at current valuation. | No | The note specifically states that this analysis of sensitivity is only applicable to assets valued during 2022/23. The Principal Valuer has undertaken an exercise to consider the potential changes to assets not revalued during the year and it is not deemed necessary to consider them in addition. There is a varied approach across comparable Local Authorities, some of whom also base their analysis solely on assets revalued during the year. A couple of comparable make no reference at all to changes in valuation due to market drops within their assumptions around estimation uncertainty. As such, we therefore deem our sensitivity analysis to be acceptable in its current form. |
| Level 3 surplus asset and investment property fair value disclosures | Level 3 fair value disclosure requirements not fully met The Code requires extensive disclosure requirements in particular for Level 3 fair value valuations and these do not appear to have been fully met in either the surplus asset or investment properties note - for example quantitative information about significant unobservable inputs, and a sensitivity analysis. Management did not amend. | No | The Code sets out the reporting requirements for materiality that applies to information recognised in the financial statements and the associated disclosures. The code is clear in that judgement is required regarding the extent of supporting disclosures that are appropriate for a specific item and we are of a view that we should only include disclosures that are material to the presentation of a 'true and fair' view of the financial position. Our view is that the Fair Value disclosures in relation to Surplus assets and Investment property are proportionate. |
| Level 3 surplus asset and investment property fair value disclosures | Level 3 fair value disclosure requirements not fully met there have been material transfers between FV hierarchy levels for investment properties and surplus assets, but no disclosure as to why. Additionally, the authority's policy for determining when transfers between levels are deemed to have occurred is not disclosed. Furthermore the £47.9m transfers out of Level 3 disclosed in note 11 should be split between asset reclassifications (£30.9m) and transfers from level 3 to level 2 (£17.0m). | Partially | Both Note 11 and 14 have been amended to state where transfers from Level 3 have been transferred to. This is in the form of some additional wording, not a change to the face of the reconciliation, which already adheres to the template requirements of the Code. We believe current disclosures provide sufficient detail pertaining to Level 3 classification. |
| Financial Instruments | Money market funds inappropriately classified as 'held at amortised cost' As the cashflows in these arrangements are not solely payment of principal and interest, the most appropriate classification would be 'held at fair value through profit and loss'. Given changes in fair value are not material on these short-maturity funds, any resultant accounting errors are likely to be highly trivial, however the presentation of these financial assets as 'held at amortised cost' is not in line with the accounting standards. Management did not amend. | No | These deposits are in funds that in turn invest in the money markets and the interest rate is variable and changes daily. Funds are deposited/withdrawn 'on the day' and we consider them to be cash or equivalent in nature. We believe that showing these assets at cost plus the interest accrual is a correct and accurate way of valuing them and reflecting them in our financial statements. We also note that the impact of difference to the amount is trivial. |

D. Audit Adjustments

Misclassification and disclosure changes (continued)

| Disclosure area | Auditor recommendations | Adjusted? | Management comment |
|--|--|-----------|---|
| Related parties | <p>The related party transactions note sets out the value of in-year transactions and year-end balances that the Council had with its group companies. Non- material differences were noted when comparing some of these values to the audited accounts of the group companies. Differences ranged from £1.0m to £4.9m and were applicable to related party transactions and balances with Via East Midlands, ARC Property Partnership and Futures Advice, Skills and Employment Ltd.</p> <p>Also, reference to SCAPE Group Ltd should be removed from the note as the Council does not have significant influence or control over the entity.</p> | Yes | We have amended draft accounts to show the audited accounts. We will review the note ahead of 23/24 accounts. |
| Related parties | We noted one additional related party transaction to be disclosed in the accounts, relating to the write off a £130k loan made to a Charitable Trust which had entered into liquidation, where a member of the Council was Chairman. The sum is material to the related party making this disclosable | Yes | Amended |
| Infrastructure assets | Disclosure was not made to confirm the Council has used statutory provisions to determine the carrying amount derecognised in respect of replaced parts of infrastructure assets as nil. | No | See disclosure note 10b |
| Revaluation of Property, Plant & Equipment | A transposition error was made in the table presenting the rolling programme of valuations over a 5-year period. The values reported for other land and buildings for 2022 and 2020 were transposed. | Yes | Amended |
| Specific revenue grants | The analysis of specific revenue grants in note 25 totalling £538.7m was re-presented to show £20.8m of grants formerly described as 'other grants' to more precise categories. | Yes | Amended |

D. Audit Adjustments

Misclassification and disclosure changes (continued)

| Disclosure area | Auditor recommendations | Adjusted? | Management comment |
|---------------------------------------|--|-----------|--------------------|
| Pensions- IAS 19 | 1/ actuarial gain disclosed in note 21 is understated by £4.974m (was £1,097m, should be £1,102m) 2/ share of fund assets quoted in note 21 as 33% should be 32% (or more precisely 32.39%) | Yes | Amended |
| Employee remuneration | The table showing the number of staff earning over £50k in the financial year contained an error where a staff member was reported in the 145-150k band, where it should have been 150-155k. | Yes | Amended |
| Deployment of dedicated schools grant | A transposition error was made in the table between the lines “carry forward to 2023/24 agreed in advance” and “brought forward 2021/22” amounting to £7.379m. | Yes | Amended |
| Audit fees | An adjustment was required to record final agreed audit fees. | Yes | Amended |
| Various minor | Minor disclosure adjustments and presentational adjustments made following discussions with management. | Yes | Amended |

D. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|--|---|--|-----------------------------|
| Grant income incorrectly credited to receipts in advance (type: factual) | Cr Grant Income (906) | Dr Creditors (grants received in advance) 906 | (906) decrease | Trivial |
| Investment properties- incorrect multiplier used in a sampled valuation (factual error: £1.000 m + sampling projection: £243k) | Dr Fair value movements on investment properties 1,243 | Cr Investment Properties (1,243) | 1,243 increase | Not material |
| Investment properties- incorrect classification of park land | nil | Dr Other land & buildings 1,250 Cr investment Properties (1,250) | nil | Not material |
| Investment properties- unsupported land area used in a sampled valuation (factual error: £328k + sampling projection £80k) | Dr Fair value movements on investment properties 408 | Cr Investment Properties (408) | 408 increase | Trivial |
| Pension assets overstated- Pension Fund Auditor findings. Impact on County Council estimated as £3.482m. | Dr Other comprehensive income 3,482 | Cr Net Pensions Liability (3,482) | 3,482 increase | Not material |
| Overall impact | Dr CIES £4,227 | Cr Net Assets £4,227 | 4,227 increase | Not material |

D. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|--|--|---|--|---|
| Debtor accruals – estimate overstated compared to actual income due- timing of available information | Dr Surplus/Deficit on Provision of Services 2,122 | Cr Debtors (2,122) | 2,122 increase | Factual error is trivial and auditor projection is not material |
| Creditor accruals- various sample errors | Cr Surplus/Deficit on Provision of Services (6,261) | Dr Creditors 6,261 | (6,261) decrease | Factual error is trivial and auditor projection is not material |
| Pension assets understated – (Pension Fund audit findings) | Cr Other Comprehensive Income (1,712) | Dr IAS 19 Net Pensions Liability 1,712 | (1,712) decrease | Auditor projection, not material |
| Overall impact | Cr CIES £5,851 | Dr Net Assets £5,851 | £5,851 decrease | |

E. Fees and non-audit services

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

| Audit fees | Proposed fee | Final |
|---|-----------------|-----------------|
| Scale fee | 84,374 | 84,374 |
| Reduced materiality | 2,500 | 2,500 |
| ISA 315 | 5,000 | 5,000 |
| Use of expert | 5,000 | 5,000 |
| Value for Money audit – new NAO requirements | 19,000 | 19,000 |
| ISA 540 | 6,000 | 6,000 |
| Additional journals testing | 3,000 | 3,000 |
| Infrastructure | 2,500 | 2,500 |
| Quality review – response to FRC (Hot Review) | 1,500 | 1,500 |
| Other – Payroll changes in circumstances | 500 | 500 |
| Related parties- additional work due to undisclosed interests and transactions | - | 1,600 |
| Additional testing due to internal recharges not being separately identifiable | - | 550 |
| Additional work required for debtors and creditors due to limitations of supporting analyses provided | - | 1,000 |
| Payroll inefficiencies due to payroll team availability | - | 550 |
| PPE- evaluation of errors and floor area additional work | - | 1,000 |
| Total audit fees (excluding VAT) | £129,374 | £134,074 |

E. Fees and non-audit services

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 | £129,374 | £134,074 |
| Total audit fees (excluding VAT) | £129,374 | £134,074 |

| Non-audit fees for other services | Proposed fee | Final fee |
|--|----------------|----------------|
| Audit Related Services | | |
| Certification of Teachers' Pensions return | £8,500 | £10,000 |
| Non-audit related services | | |
| CFO Insights subscription for year to October 2023 | £15,000 | £15,000 |
| Total non-audit fees (excluding VAT) | £23,500 | £25,000 |

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

The fees reconcile to the financial statements.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

| Area of change | Impact of changes |
|---|---|
| Risk assessment | <p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques. |
| Direction, supervision and review of the engagement | <p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p> |
| Professional scepticism | <p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible |
| Definition of engagement team | <p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence. |
| Fraud | <p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance |
| Documentation | <p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p> |

G. Management Letter of Representation

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Grant Thornton UK LLP

Nottinghamshire County Council - Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Nottinghamshire County Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 land, buildings, surplus assets and investment properties; the valuation of the net pension liability; the fair value of financial instruments; the completeness and accuracy of income and expenditure 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.
- 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.

G. Management Letter of Representation

- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. 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. There are no prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. 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 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.
- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- Information Provided**
- xvii. 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 from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

G. Management Letter of Representation

Annual Governance Statement

xxvi. 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

xxvii. 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 28 February 2024.

Yours faithfully

Name.....

Position: Chairman of the Governance and Ethics Committee

Date.....

Name.....

Position: Service Director – Finance, Infrastructure, and Improvement.

Date.....

Signed on behalf of the Council

H. Audit opinion

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 2023, which comprise the Statement of Accounting Policies, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Notes to the Statement of Accounts. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Governance Statement and the Annual Financial Report, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, the other information published together with the financial statements in the Annual Financial Report 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 and the Service Director - Finance, Infrastructure & Improvement

As explained more fully 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 Annual Financial Report, which includes the 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 2022/23, 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.

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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

H. Audit opinion

- We enquired of management 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 management, 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 manual 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 management has in place to prevent and detect fraud,
 - journal entry testing, with a focus on with a focus on large and manual postings; entries containing key words or blank descriptions; entries posted after the year end, entries which were self-approved, and entries which were made by users with excessive access privileges,
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of income and expenditure accruals; and valuations of: land and buildings, surplus assets, investment properties and the net defined benefit pensions liability.
 - 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuations of: land and buildings, surplus assets, investment property and defined benefit pensions liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- Our 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:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o 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.

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.

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 2023.

We have nothing to report in respect of the above matter.

H. Audit opinion

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.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of Nottinghamshire County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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.

Signature

Andrew Smith, Key Audit Partner

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

Birmingham

Date:



The Audit Findings Report for Nottinghamshire County Council Pension Fund

Year ended 31 March 2023

28 February 2024

Contents



Your key Grant Thornton team members are:

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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 Pension Fund 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.

Andrew Smith

For Grant Thornton UK LLP

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council Pension Fund (‘the Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2023 for the attention of 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 Pension Fund’s financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund’s assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Our audit work was completed remotely during July to December. Our findings are summarised on pages 5 to 30. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- finalisation of quality reviews of the audit file;
- receipt and review of the final Annual Report;
- receipt of the signed management representation letter; and
- review of the final set of financial statements.

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.

Our anticipated opinion on the financial statements will be unqualified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are 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. This will be completed once the Administering Authority’s audit is complete.

1. Headlines

National context – audit backlog

Nationally, there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Pension Fund for their support in working with us to resolve any delays.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham, and showed that the Pension Fund was fully funded. These valuations also provide updated information for the net pension liability/asset on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 50 members and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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.

For Nottinghamshire County Council Pension Fund, the Governance and Ethics Committee fulfil the role of those charged with governance.

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Ethics Committee meeting on 10 January 2023. These outstanding items include:

- finalisation of quality reviews of the audit file;
- receipt and review of the final Annual Report;
- receipt of the signed management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

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 have revised materiality for the financial statements from 1% to 0.94% of the Pension Fund's gross investment assets (less investment liabilities) to ensure that the materiality used for the Pension Fund audit is sufficient for work to be performed by employer bodies audited by Grant Thornton UK LLP.

We set out in this table our determination of materiality for the Pension Fund.

| | Pension Fund Amount (£) | Qualitative factors considered |
|---|-------------------------|--|
| Materiality for the financial statements | 60,450,000 | Gross investment assets (less investment liabilities) is considered the most appropriate benchmark for the Pension Fund because we consider the users of the financial statements to be most interested in the Pension Fund's ability to pay pension liabilities as they fall due. Materiality is determined at 0.94% of the Pension Fund's gross investment assets (less investment liabilities). |
| Performance materiality | 42,315,000 | We have determined £42.315m (70% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of significant accounting issues and this continues to be the case. |
| Trivial matters | 3,022,500 | Triviality is the threshold at which we will communicate misstatements to the Governance and Ethics Committee. |
| Materiality for fund account | 28,400,000 | We have determined transactions within the Fund Account as items requiring greater precision and where we will apply a lower materiality level, as these are considered a key area of focus for users of the financial statements which is not directly derived from the investment portfolio. We have set materiality equivalent to 10% of gross expenditure. |
| Materiality for senior officer remuneration | 20,000 | We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. |

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 | 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 Pension Fund faces external scrutiny 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>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 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 with regards to the journal entry process. These relate to senior financial reporting personnel's ability to post journals and a user's ability to both post and approve their own journal. We identified one self-approved journal, which was approved prospectively. We conducted additional testing on this journal and no irregularities were noted. While we are satisfied that there is no evidence of management override of controls through senior officers posting journals or regarding 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 testing of high risk and unusual journals. Additionally, we have not identified any indications of management bias in estimates included in the financial statements.</p> |

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in revenue recognition (rebutted)

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.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical framework of Nottinghamshire County Council as administering authority of Nottinghamshire County Council Pension Fund, means that all forms of fraud are seen as unacceptable

Therefore, we do not consider this to be a significant risk.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of revenue recognition except for an £8m bulk transfer in which was erroneously recorded in 22/23 though relating to 21/22.

Fraud in expenditure recognition – Practice Note 10 (rebutted)

In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We have considered this risk for the Pension Fund and have determined it to be appropriate to rebut this risk based on limited incentive and opportunity to manipulate expenditure.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of expenditure recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the actuarial present value of promised retirement benefits – *specifically with regard to the appropriateness of assumptions used to determine the valuation*

The Pension Fund's actuarial present value of promised retirement benefits, as reflected in the Pension Fund's notes to the accounts, represents a significant estimate in the financial statements.

We do not believe there is a significant risk of material misstatement in the IAS 26 estimate due to the methods and models used in the calculation or due to the source data used in the calculation.

However, we have concluded that there is a significant risk of material misstatement in the IAS 26 estimate due to the assumptions used in the calculation. The actuarial assumptions used are the responsibility of the Pension Fund but should be set on the advice given by the actuary. The appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. However, the Pension Fund may choose to use different assumptions than those proposed by their 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 26 disclosures.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the disclosure is not materially misstated and evaluated 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 promised retirement benefits valuation;
- assessed the accuracy and completeness of the information provided by the Pension Fund to the actuary to estimate the liability;
- tested the consistency of the promised retirement benefits and disclosures in the notes to the accounts with the actuarial report from the actuary; and
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report.

Conclusion

Pages 13 to 14 provide a detailed assessment of the estimation process for the valuation of the actuarial present value of promised retirement benefits.

Our procedures to review assumptions using the work of an auditor's expert found that the assumptions used by the management expert were reasonable and in line with expectations.

Overall, we have completed our work on the valuation of the actuarial present value of promised retirement benefits having not identified any material issues.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 Investments (financial investments and directly held properties)

The Pension 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.

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.

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 judgment to reach an appropriate valuation at year end.

Management utilise the services of investment managers (Financial investments) and valuation experts (directly held properties) to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk.

For financial investments we have :

- evaluated management's process for Level 3 investments
- reviewed the nature and basis of estimated values and considered the assurance management have 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 at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available, reviewed investment manager service auditor reports on design effectiveness of internal controls

Conclusion

Our audit work identified that the actual value of financial investments at 31 March 2023 had fallen by £12.5m (Level 3 - £10.9m) from that disclosed in the financial statements. This was largely attributed to 31 March 2023 investment manager reports not being available when the Pension Fund's financial statements presented for audit were closed down. Management have chosen not to amend the accounts for this difference.

For directly held properties we have :

- 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
- wrote to the valuer to confirm the basis on which the valuation was carried out
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- engaged our own valuer to assess the instructions to the Pension Fund's valuer, the Pension 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 (there were none)
- tested property assets for rights and obligations and for existence

Conclusion

Our audit work did not identify any significant issues in respect of directly held properties.

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 |
|---|---|---|---------------------|
| Level 3 Investments – £1,262m (after adjustments, Level 3 investments were £1,396m) | <p>The Pension Fund has financial investments (£867m) and directly held properties (£395m) that in total are valued in the net assets statement at 31 March 2023 at £1,262m.</p> <p>For financial investments, 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 managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investments is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by fund managers for the property, infrastructure, private equity and credit funds which the Pension Fund invests in.</p> <p>For directly held properties, the Pension Fund engages an expert valuer who determines the fair value of investment properties with reference to rent and market yields for similar properties.</p> <p>The value of investments has decreased by £10.7m in 2022/23, additional investments made during the year and unfavourable changes in valuations resulting from market movements.</p> | <p>Management determine the value of financial investments through placing reliance on the reports provided fund managers. As such we sought and reviewed confirmations of year end valuations for all sampled fund managers. We reviewed the audited accounts and unaudited valuations at the audited accounts date to determine if values estimated are reasonable. Where provided, we further reviewed service organisation reports for the fund managers. Please see our findings on page 10 where we identified a £10.9m change in the final value of financial investments from the estimated value in the financial statements.</p> <p>For directly held properties, we are satisfied that management's expert is competent, capable and objective. We agreed the 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 the valuation methodology used by management's expert was in line with their expectation.</p> <p>Sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code.</p> <p>The estimate is adequately disclosed in the financial statements.</p> | Light Purple |

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

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2. Financial Statements: key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|--------------------------------------|---|---|--------------|
| Level 2 Investments – £1,873m | <p>The Pension Fund has financial investments that are valued on the net assets statement at 31 March 2023 at £1,873m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is based on the bid price or net asset value as determined by the fund manager.</p> <p>The value of investments has decreased by £2.8m in 2022/23, largely due to unfavourable changes in valuations resulting from market movements.</p> | <p>Management determine the value of Level 2 investments through placing reliance on the reports provided by fund managers. As such we sought and reviewed confirmations of year end valuations for all sampled fund managers. Where provided, we reviewed service organisation reports for the fund managers. No misstatements were identified that require reporting to those charged with governance.</p> <p>The estimate is adequately disclosed in the financial statements.</p> | Light Purple |

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 nor cautious

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2. Financial Statements: key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| <p>Valuation of the actuarial present value of promised retirement benefits – specifically with regard to the appropriateness of assumptions used to determine the valuation</p> <p>£6,973m</p> | <p>The Pension Fund's actuarial present value of promised retirement benefits at 31 March 2022 was £6,973m. The Pension Fund uses Barnett Waddingham for the provision of IAS 26 disclosures.</p> <p>A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. For 2022/23 reporting, reliance has been placed on the 2022 full actuarial valuation. Given the significant value of the actuarial present value of promised retirement benefits, small changes in assumptions can result in significant valuation movements.</p> <p>The sensitivity of the valuation is disclosed in Note 15c Nature and risks arising from financial instruments.</p> <p>There has been a £4,377m net actuarial gain during 2022/23.</p> | <p>We have:</p> <ul style="list-style-type: none"> assessed the competence, capability and objectivity of management's expert assessed the competence, capability and objectivity of our auditor's expert deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimate. This included an understanding of the methods, assumptions and data used, as well as instructions issued to management's expert and the scope of their work undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures as suggested in the report tested the completeness and accuracy of the underlying information used to determine the estimate assessed the actuarial method applied in valuing assets and liabilities <p>We are satisfied that management's process for producing this estimate is robust.</p> <p>Overall, the estimate is adequately disclosed in the financial statements.</p> | <p>With reference to the ranges provided by PwC, assumptions used in valuing the actuarial present value of promised retirement benefits are on the optimistic end of the range</p> |

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 nor cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of significant assumptions









Valuation of the actuarial present value of promised retirement benefits – *specifically with regard to the appropriateness of assumptions used to determine the valuation*

£6,973m





| Assumption | Actuary Value | PwC range | Assessment |
|--|--------------------|--|------------|
| Discount rate | 4.80% | 4.80% - 4.85% | ● |
| Pension increase rate | 2.90% | 2.65% - 2.95% | ● |
| Salary growth | 3.90% | 3.15% - 5.45% | ● |
| Life expectancy – Males currently aged 45 / 65 | 22.0yrs 20.7yrs | 20.9yrs – 23.4yrs 19.5yrs – 22.1yrs | ● |
| Life expectancy – Females currently aged 45 / 65 | 25.0yrs 23.5yrs | 24.3yrs – 25.9yrs 22.9yrs – 24.5yrs | ● |

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | | Related significant risks/other risks | Additional procedures carried out to address risks arising from our findings |
|---|--|---|---|---|---|---------------------------------------|--|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure | | |
| SAP | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | No specific risks identified. | N/A |
| UPM by Civica (Pension Administration System) | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | No specific risks identified. | N/A |

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

| Significant matter | Commentary |
|--|---|
| 31 March 2022 Actuarial Valuation | <p>The 31 March 2022 Actuarial Valuation was completed in March 2023 by Barnett Waddingham being the starting point for the actuary in preparing the 31 March 2023 IAS 26 disclosures for the Pension Fund and IAS 19 disclosures for employer bodies.</p> <p>As part of the Actuarial Valuation exercise, the Pension Fund undertook a data cleanse exercise, submitting member data extracts to the actuary in August 2022.</p> <p>We received copies of the member data extracts and from our testing performed over a sample of members, concluded that the data used in the 31 March 2022 Actuarial Valuation was complete and accurate.</p> |

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 other incidents in the period and no other 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 Pension Fund , which is included in the Governance and Ethics Committee papers. |
| Audit evidence and explanations | All information and explanations requested from management was provided. |
| Confirmation requests from third parties | We requested from management permission to send confirmation requests to the Pension Fund's bankers and fund managers. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. |
| Accounting practices | We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. |

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>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul 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. <p>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 Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul 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 | The Pension Fund is administered by Nottinghamshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect. |
| Matters on which we report by exception | <p>We are 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. This will be completed once the Administering Authority's audit is complete.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p> |



3. 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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 [Grant Thornton International Transparency report 2023](#).

3. 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 Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to current date. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

| Matter | Conclusion |
|---|--|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Pension Fund |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff |

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

A. Communication of audit matters to those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | • | |
| Confirmation of independence and objectivity | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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 | Recommendations |
|------------|--|---|
| ● | <p>Lack of processes in place to ensure the Pensions Administration Team communicate any outstanding actions to the Finance Team that might have an impact on the financial statements</p> <p>As a result of our audit procedures, we identified that there was a bulk transfer in of £8m in 21/22 which was recognised in 22/23. Further, there was an exit deficit of £1m relating to 21/22 which was recognised in 22/23. These transactions were missed due to them not being communicated to the Finance Team as part of the year-end closedown process.</p> | <p>To ensure completeness of information recorded in the financial statements, we recommend for management to establish processes that allow the Pensions Administration Team to provide details of all outstanding actions that would have an impact on the financial statements from an accruals perspective.</p> <p>Management response</p> <p>As part of our year-end process, we will request a list of ceased employers during the year from the Pensions Administration team and how any exit deficits / credits were / are to be settled so we can check any related payments or receipts which are due are included in the year and ensure we do not omit similar transactions in the future.</p> |

Controls

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

B. Action Plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|------------|---|--|
| ● | <p>IT system</p> <p>We identified a few control weaknesses in Nottinghamshire County Council's general IT controls environment. These weaknesses include:</p> <ul style="list-style-type: none"> Users with inappropriate access to ABAP debugger in production. The users that had inappropriate access were DL44, MS103, MW244, SEA15, SM32 and SP99 Inadequate controls over generic database user accounts Users with inappropriate access to maintain all SAP standard or customised tables in production. The users that had inappropriate access were AB111, AG130, BB17, BH232, CEB3, DL44, DR64, EW36, HB37, HD28, KQ2, LAP17, MS305, MW244, NC2, NJC1, NN4, SN14, SP99 and VLW1 Segregation of duty conflicts within SAP batch control. Users who had authorisations to access, schedule and monitor any batch job within SAP that may not have been commensurate with their job roles were AG130, DL44, HD28, KQ2, LJM13, MS103, NN4, SEA15, SM32, SN14 and SP99 Weak password configuration settings for Active Directory and SAP <p>It should be noted that we were unable to obtain any assurance over the following control:</p> <ul style="list-style-type: none"> Users with ability to perform Central User Administration (CUA) activities such as distribution of users and roles into the SAP clients - We were unable to obtain the details of users with ability to perform Central User Administration(CUA) activities such as distribution of users and roles into the SAP clients due to system limitation in extracting the user listing of these users, because of which we could not verify whether this access is restricted to appropriate individuals. | <p>The following recommendations have been made:</p> <ul style="list-style-type: none"> It is recommended that the management remove ABAP debugger access permanently from production. It is best practise to use Firefighter accounts with an approved business case and set validity period. Management should change the default password set for generic accounts and configure them in line with the council's password policy. It is also recommended that unused accounts be disabled until when needed. Management should segregate a user's ability to maintain all the standard or customised SAP tables within production. We recommend that for all the users identified, management should consider assigning access to relevant table groups or individuals tables via S_TABU_DIS and S_TABU_NAM authorisation objects, rather than assigning the '*' authorisation value to restrict the level of access granted to users. Management should adopt a risk-based approach by creating a segregation of duty matrix. Management should consider assigning SM37 access to business users without S_BTCH_ADM and S_BTCH_NAM authorisation objects. We recommend that for the users identified, management should consider limiting access to the batch jobs management via the authorisation object S_BTCH_JOB and JOBACTION to 'LIST', 'PROT' and 'SHOW'. If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities, e.g. reviewing reconciliations of account balances. SAP Password length should be in line with the standard industry practice of a minimum of 8 characters. SAP and Active Directory passwords should be changed at least every 90 days. Management should change the default password set for SAP standard user SAPCPIC within Support client (i.e.,001) and TMSADM in Client 400. <p>Management response</p> <p>Management responses to individual recommendations are included in The Audit Findings for Nottinghamshire County Council (28 February 2024).</p> |

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council Pension Fund's 2021/22 financial statements, which resulted in 5 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and note 3 are still to be completed.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|---|
| X | Journals controls – self authorization The finance system currently allows journals to be posted and approved by the same user. Self authorisation of journals increases the risk of fraudulent financial reporting or error. The Pension Fund has a mitigating control in place, in that all such self-approved journals undergo retrospective approval, which reduces the overall control risk. During the period 1 journal was identified having been posted and approved by the same user. We were able to gain reasonable assurance per the evidence obtained and reviewed. | No actions taken. During the period 1 journal with a value of £6k was identified having been posted and approved by the same user. We were provided with email correspondence prospectively approving the journal. |
| X | 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. The value of investments of which we were unable to obtain a controls report is £170.6m 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 fund managers. Similarly, we were unable to obtain audited financial statements for three pooled investment vehicles. | No actions taken. The value of investments of which we were unable to obtain a controls report is £651m 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 fund managers. Similarly, we were unable to obtain audited financial statements for one pooled fund with a year-end value of £20m. |
| X | IT system We identified a number of controls issues in security and access of Nottinghamshire County Council's SAP system. These weaknesses include: <ul style="list-style-type: none"> SAP Support staff and vendors with DEBUG access in SAP. The 5 users that still had debug access in the production client were DL44, EW36, HB37, MW244, NN4 | Six SAP Support staff and vendors were identified as having debug access. See preceding appendix as this has been reported again as a finding for 2022/23. |
| ✓ | Note 17 related parties The IAS 24 definition is incomplete. Though other elements may not be relevant to the Pension Fund, the current wording is unclear and hence should be enhanced to allow understanding by the reader of the financial statements. | No updates made to the IAS 24 definition within the financial statements. However, we acknowledge management's response from the prior year being, "The relevant part of the definition is included. Expanding this to mention elements which are not relevant to the Pension Fund could confuse readers." |
| ✓ | Note 11h analysis of derivatives The note states that there were no derivatives at 31 March 2022 which is consistent with our understanding of the Pension Fund's investments. However, Note 1c includes an accounting policy for derivatives which in our view is not relevant to the reader of the financial statements. | The accounting policy for derivatives was removed noting that the Pension Fund did not have any derivative investments in 2022/23. |

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

There were no adjusted misstatements for the year ending 31 March 2023.

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/issue/Omission | Auditor recommendations | Adjusted? |
|--|--|-----------|
| Note 2d Actuarial Present Value of Promised Retirement Benefits | The estimated return on assets was incorrectly disclosed as 2.51% instead of 2.06% as stated in the actuary's IAS 26 disclosures report. | ✓ |
| Note 11g Private Equity and Infrastructure Funds | <p>Undrawn commitments were understated by £109.9m. Prior to amendments being made, undrawn commitments were stated as £252.5m.</p> <p>In addition to the above, original commitments for the following funds were incorrectly disclosed:</p> <ul style="list-style-type: none"> Wilton Private Equity Fund – USD13m instead of USD14m East Midlands Regional Venture Capital Fund – GBP4m instead of GBP5m LGPS Central Infrastructure Fund (Core Plus) – GBP115m instead of GBP125m LGPS Central Infrastructure Fund (Value Added) – GBP45m instead of GBP50m Langar Lane Solar Farm (Direct Loan) – Nil instead of GBP1.5m | ✓ |
| Note 15b Valuation of financial instruments and Property Investments carried at fair value | We identified assets which were incorrectly categorised in the fair value hierarchy. Amendments made were level 1 – £134m decrease and level 3 – £134m increase. | ✓ |
| Note 15c Nature and extent of risks arising from financial instruments | <p>Included in the interest rate risk disclosures was a credit fund valued at £203m. This should not have been included as there is no direct impact on the Pension Fund of changes in interest rates.</p> <p>The fixed interest bonds line item in the interest rate risk disclosures included pooled funds valued at £296m. These should not have been included for the same reasons as above noting that the disclosure did not match the fixed interest securities line item in the net assets statement. In addition, the methodology for calculating the disclosure was also updated with information on the sensitivity of interest rates on year-end valuations being provided by the respective fund managers.</p> <p>The disclosure for overseas currency pooled funds was understated by £381m.</p> | ✓ |
| Note 17 Related Party Transactions | The Pension Fund's portion of the Service Director's (Finance, Infrastructure & Improvement) salary was overstated by £1,250. | X |
| Pension fund annual report | We identified a few inconsistencies between information contained in the Pension Fund's Annual Report and the Pension Fund's financial statements in the administering authority's statement of accounts. Amendments were agreed which are now reflected in the final Pension Fund Annual Report. | ✓ |

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Pension Fund Account £'000 | Net Asset Statement £' 000 | Impact on total net assets £'000 | Reason for not adjusting |
|--|-------------------------------|----------------------------|----------------------------------|-----------------------------|
| <ul style="list-style-type: none"> Pooled investment vehicles (Profits)/losses on disposal of investments & changes in value <p>Differences identified between the value of investments disclosed in the financial statements at 31 March 2023 and the valuation statements received from third party fund managers.</p> | 12,512 | -12,512 | -12,512 | Not material |
| <ul style="list-style-type: none"> Transfers in from other pension funds Opening net assets of the fund <p>Bulk transfer recorded erroneously in 22/23 instead of 21/22.</p> | 8,009 -8,009 | - | - | Not material |
| Overall impact | £12,512 | -£12,512 | -£12,512 | |

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

| Detail | Pension Fund Account £'000 | Net Asset Statement £' 000 | Impact on total net assets £'000 | Reason for not adjusting |
|---|-------------------------------|----------------------------|----------------------------------|-----------------------------|
| <ul style="list-style-type: none"> Pooled investment vehicles (Profits)/losses on disposal of investments & changes in value <p>Differences identified between the value of investments disclosed in the financial statements at 31 March 2022 and the valuation statements received from third party fund managers.</p> <p>As pension assets are revalued at 31 March 2023 there is no impact upon the 2022/23 financial statements.</p> | -6,001 | 6,001 | 6,001 | Not material |
| <ul style="list-style-type: none"> Cash deposits Current assets <p>The Pension Fund's Barclays bank accounts 70568538 and 13580830 with funds amounting to £7.4m are incorrectly disclosed as current assets not cash deposits.</p> <p>The balance at 31 March 2023 was £2.4m hence trivial for reporting to those charged with governance.</p> | | 7,369 -7,369 | | Not material |
| Overall impact | -£6,001 | £6,001 | £6,001 | |

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

| Audit fees | Proposed fee | Final fee |
|--|----------------|----------------|
| Scale Fee | 26,168 | 26,168 |
| Reduced materiality | - | 1,500 |
| Valuation of Level 3 Investments | 2,188 | 2,188 |
| Impact of ISA 540 | 3,600 | 3,600 |
| Impact of ISA 315 | - | 3,000 |
| Journals testing | 2,000 | 2,000 |
| Other - errors in valuation and review of changes to accounts | 375 | 2,875 |
| Actuarial pension disclosure testing | 2,000 | 2,000 |
| IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review * | 19,200 | 19,200 |
| Work on triennial valuation member data * | - | 5,000 |
| Additional FRC challenge | 3,125 | 3,125 |
| Total audit fees (excluding VAT) | £58,656 | £70,656 |

* Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

| Area of change | Impact of changes |
|---|---|
| Risk assessment | <p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques. |
| Direction, supervision and review of the engagement | <p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p> |
| Professional scepticism | <p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible |
| Definition of engagement team | <p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence. |
| Fraud | <p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance |
| Documentation | <p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p> |



28 February 2024**Agenda Item:7****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT.****EXTERNAL AUDIT – ANNUAL AUDIT REPORT 2022/23****Purpose of the Report**

1. To inform Members of the External Auditors' Annual Audit Report 2022/23.

Information and Advice

2. A new Code of Audit Practice came into force from 1 April 2020 for financial years 2020/21 onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing commentary on the Council's arrangements for securing Value for Money alongside the audit opinion on the Council's accounts. This report replaced the Annual Audit Letter which was reported to this Committee previously.
3. The purpose of preparing and issuing the Annual Audit Report is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from the auditors' work.
4. The Auditor's Annual Audit Report 2022/23 is attached at Appendix A and covers both the County Council and Nottinghamshire Pension Fund. It summarises all of the work completed as part of the 2022/23 annual audit and a review of value for money arrangements.
5. The report is presented to Members for their information. The Audit Director (Grant Thornton), Andrew Smith, will be in attendance at the meeting to introduce the report and respond to Members' queries.

Other Options Considered

6. The external auditors are required by statute (Section 20(1c)) of the Local Audit and Accountability Act 2014 to report their Annual Audit Report to the Council.

Reason/s for Recommendation/s

7. To provide information to Members on the External Auditors' Annual Audit Report 2022/23.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human

rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That Members accept the External Auditors' Annual Audit Report 2022/23.

Nigel Stevenson

Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Nigel Stevenson tel. 0115-9773033

Constitutional Comments (KK 19/02/2024)

9. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments (GB 19/02/2024)

10. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Auditor's Annual Report on Nottinghamshire County Council

2022/23

28 February 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

| Criteria | 2022-23 Risk assessment | 2022-23 Auditor judgement on arrangements | 2021-22 Auditor judgement on arrangements | Direction of travel |
|---|--|---|--|---------------------|
| Financial sustainability | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |
| Governance | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified. | G No significant weaknesses in arrangements identified, but improvement recommendation made. | G No significant weaknesses in arrangements identified, but improvement recommendations made. | ↔ |

G

No significant weaknesses in arrangements identified, but improvement recommendation made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council is operating in an increasingly uncertain financial environment, especially in relation to funding arrangements, inflation and interest rates. Despite this uncertainty, the Council has maintained a good financial position. The Council set a balanced budget for 2022-23 and 2023-24, whilst the Medium Term Financial Strategy (MTFS) also proposes a balanced budget for 2024-25, the February 2023 Budget Report noted a funding gap of £30.8m up to 2026/27. In its latest budget proposals to Cabinet in February 2024, the MTFS has been extended a year to 2028 and the overall revised gap identified as £36.0m.

We are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.



Governance

Building on our 2022-23 review, which we reported in April 2023, we found the risk management processes at the Council to be good, and that management are well supported by internal audit in monitoring the control environment.

Arrangements for budget setting and monitoring of performance against the budget are effective. The Council also has a good set of policies and procedures in place to ensure it maintains appropriate legislative and regulatory standards.



Improving economy, efficiency and effectiveness

The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Its costs compared to other county councils are low, although there are some areas of 'very high' cost. We have discussed these areas with management and are satisfied that the Council has put adequate arrangements in place to monitor and manage its costs.



Financial Statements opinion

We have completed our audit of your financial statements, and we anticipate that we will issue an unmodified opinion for 2022/23 following the 28 February 2023 meeting of the Governance and Ethics Committee. In line with many other local government audits, this is after the 30 September national timetable, reflecting wider challenges in the audit sector.

Our findings are set out in further detail on pages 25 to 26.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

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Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 19.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Nottinghamshire County Council (the Council) was established in 1889 under the Local Government Act 1888, covering the administrative county which excluded the county borough of Nottingham. It is an upper-tier local authority for the non-metropolitan county of Nottinghamshire in England. The Council is elected every four years, with currently 66 county councillors being elected at each election. The most recent election was in May 2021 when the Council became a Conservative administration from no overall control. The constituents of Nottinghamshire voted to leave the EU in the June 2016 referendum.

Nottinghamshire County Council, along with Derbyshire County Council, Derby City Council and Nottingham City Council, has signed up to work on a £1.14 billion devolution deal with the Government. Each council has now formally agreed a draft proposal in relation to the devolution deal, which will be the basis of a full public consultation. The public consultation took place from 14 November 2022 to 9 January 2023. All four councils voted to accept the results of the consultation in March 2023. Following the Royal Assent of the Levelling Up and Regeneration Act 2023 in October 2023, the devolution proposal was submitted to Government on 1st November 2023.

The Council faces demand pressures and inflationary pressures across its services and particularly in relation to social care. Combined with uncertainties at the national policy making and funding settlement levels, the Council has faced significant challenges in balancing its budgets and identifying necessary savings.

Following a recent SEND inspection of Nottinghamshire Local Area Partnership in which arrangements were reported as being inadequate, the Council has needed to work closely with its local area partners to put in place an improvement plan.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2022-23 and ongoing financial pressures

In its 2022-23 budget, the Council set out the continuing challenging financial landscape. The challenges included the ongoing impact of COVID-19, which were forecast to be £138m in total for 2022-23 and previous financial years, a one-year funding settlement, the delayed Fair Funding Review, funding uncertainties associated with the Adult Social Care Reform and Government funding uncertainty overall. This lack of certainty, coupled with increasing demand on Council services, especially in the areas of adult and children's social care, meant a challenging year for financial planning from the outset. Despite these challenges, the Council approved a balanced budget.

The Council's budget requirement for 2022-23 was £559.5m compared with £530.3m in 2021-22. Savings plans totaled £8.1m for the year. There was no change to the budget requirement during the year.

In June 2023, the Council reported an underspend of £20.1m, including £11.8m of departmental underspends, more than half of which related to Adult Social Care and Public Health (£4.4m) and Economic Development and Asset Management (£4.7m). The £20.1m underspend was transferred to corporate and departmental reserves, with £1.6m being transferred to the General Fund. Overall, usable reserves increased by £16.9m year on year.

| Year Ending | General Fund £m | Other Usable Reserves £m | Total Usable Reserves £m |
|---------------|--------------------|-----------------------------|-----------------------------|
| 31 March 2023 | 36.8 | 273.5 | 310.3 |
| 31 March 2022 | 35.2 | 258.2 | 293.4 |
| 31 March 2021 | 32.1 | 209.3 | 241.4 |
| 31 March 2020 | 22.0 | 171.7 | 193.7 |

As shown in the table above, £36.8m was the Council's risk-assessed minimum balance on its General Fund Reserve as at 31 March 2023. This was unchanged in the 2023-24 budget. Total usable reserves are forecast to decrease from £310.3m to £198.6m over the period of the MTFS proposes i.e. period ending 31 March 2027. Of the total movement of £49.7m, £3.9m is being used to deliver a balanced budget in 2023-24.

Based on our audit work on the Council's minimum revenue provision (MRP) charge for 2022-23, we are satisfied that the overall MRP charge in-year was prudent, and we have not identified any significant issues or concerns for future years based on the Council's historic policy decisions.

Financial sustainability

2023-24 and beyond

In setting the 2023-24 budget, the Council forecast pressures of more than £44m, of which nearly a half related to Adult Social Care and Public Health inflation. Despite these pressures, the use of corporate budgets and reserves meant that the savings requirement was only £8.7m.

The Council approved its budget for 2023-24 in February 2023. The net budget requirement for the year was £591.3m. The budget update to Cabinet in February 2024 reported a forecast underspend for the year of £5.5m at the end of month 8. This was mainly as a result of additional management actions and additional income from interest. Underspends forecast on central items total £18.8m whilst overspends of £8.6m, £2.3m and £1.3m have been forecast for Transport & Environment, Children & Families and Adult Social Care respectively.

We are satisfied that the Council has identified all significant financial pressures and risks in its MTFS and has adequate savings plans to deliver a balanced budget in 2023-24.

The Council's performance against key financial and performance metrics is set out in this table.

| | 2022/23 | 2021/22 |
|--|---------|---------|
| Planned revenue expenditure | £559.5m | £530.3m |
| Actual revenue expenditure | £539.4m | £491.2m |
| Planned capital spend | £102.5m | £109.1m |
| Actual capital spend | £93.2m | £96.0m |
| Planned savings target (recurrent/non-recurrent) | £8.1m | £1.7m |
| Year-end cash position | £85.7m | £106.9m |

Financial sustainability

Identifying savings

The Council set a savings target of £8.7m for 2023-24 to help it achieve a balanced budget for the year. This consisted of 23 different saving schemes. The latest in-year savings monitoring report has assessed the progress with delivering the planned savings as follows:

- £6.2m (71%) on target
- £2.1m (24%) experiencing obstacles
- £0.4m (5%) compromised.

The Council has got a good track record of delivering planned savings and is making good progress with the delivery of its 2023-24 savings target.

Medium term financial planning

The MTFS is updated annually as part of the Council's financial planning process for setting its budget. The MTFS covering the period up to 31 March 2027 was approved by the Council in February 2023. This shows a balanced budget for both 2023-24 and 2024-25 and a gap of £30.8m in total for the following two years.

Capital expenditure

A robust, monthly capital monitoring process is in place which culminates in relevant information being reported to the Cabinet as part of the monthly Financial Monitoring Report. The Council's actual capital spend for 2022-23 was £93.2m compared to a revised budget figure of £102.5m. The reasons for the reduction in capital spend were included in the outturn report

Financial planning

The Council issued a 10-year plan "The Nottinghamshire Plan 2021-31 Healthy, Prosperous, Green" which features in the MTFS. The Plan was approved by Council on 25 Nov 2021 and highlights nine ambitions which will act as the framework for all Council activity:

- Helping our people live healthier, more independent lives
- Supporting communities and families
- Keeping children, vulnerable adults and communities safe
- Building skills that help people to get good local jobs
- Strengthening businesses and creating more good-quality jobs
- Making Nottinghamshire somewhere people love to live, work and visit
- Attracting investment in infrastructure, the economy and green growth
- Improving transport and digital connections
- Protecting the environment and reducing our carbon footprint.

The Plan sets out what the Council will do over the next four years to achieve these ambitions as well as how it will measure progress and success. This will have a particular focus on supporting Nottinghamshire's communities and businesses to recover from the socio-economic impacts of the COVID-19 pandemic.

The MTFS has clear links to the 10-year plan and the capital strategy is also clearly aligned. The identified capital schemes link in with the Council's ambitions and link in with the MTFS in terms of increasing capacity and thereby reducing pressures on services.

Financial governance

Annual budget setting

The budget setting process incorporates several stages including a sensitivity analysis of the impact of high-level assumptions on key areas of the MTFS including:

- Pay
- Savings
- Pressures
- Core grants
- Council tax and
- Business rates.

This detailed analysis was presented to Members and CLT for consideration.

The budget and the MTFS are considered concurrently and incorporated into the Council’s annual budget, which includes a four-year MTFS. The longer-term projections and any risks to the medium term are also incorporated into the annual budget and financial monitoring reports are considered by Cabinet monthly.

Prior to 2023-24, the public had not been consulted on the budget, but a detailed exercise was undertaken from November 2022 to January 2023. Over 2,000 members of the public responded and their views were taken into account when drawing up the proposals contained in the budget report. The Overview Committee conducted a review of the consultation which indicated that the exercise began later than hoped, but there were no delays to the decisions of the Cabinet and Full Council. For 2023/24 the process was started earlier than 2022/23.

Budgetary control

There are good systems in place for oversight of the budget. Monthly financial monitoring reports are presented to Cabinet. There is oversight of the budget at a high level, including Full Council, Cabinet and CLT reviewing and assessing the actual outturn and future risks to the budget. The monthly budget monitoring reports detail variances at a department level demonstrating a regular identification of in-year variances.

As the level of savings required for 2021-22 was only £1.7m, reporting to Committee on the delivery of savings schemes was discontinued (previously the Improvement and Change Sub-Committee). However, given the increased savings required for 2023-24 i.e. £8.7m, the process has been re-introduced, although reporting to members, via the Cabinet Member for Finance, will only be by exception.

| | 2023-24 |
|---|---------|
| Planned savings | £8.7m |
| Planned savings as a % of income | 1.6% |
| Planned savings (recurrent/non-recurrent) | 100% |
| Planned saving schemes rated amber/green | 95% |

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

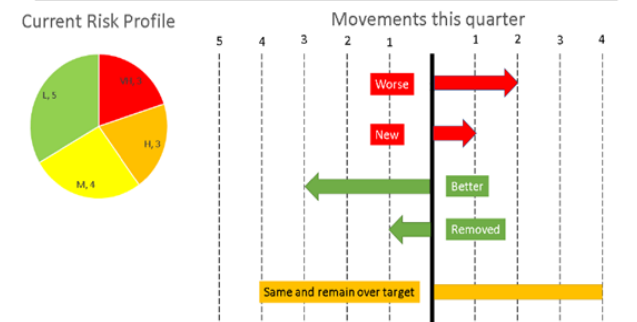
In our 2020-21 report, we noted that the Council had appointed Zurich Municipal to undertake an independent review of its risk management arrangements. A report containing eight key findings was presented to the September 2021 Governance and Ethics Committee. In March 2022, the Council again reported to the Committee on the actions taken. Progress had been made and work was underway to fully address the findings.

The Council's current Risk Management Strategy and Risk Management Policy was approved by Governance and Ethics Committee in March 2018, following its development by the Risk, Safety & Emergency Management Board (RSEMB) and approval from the Corporate Leadership Team (CLT). The strategy was due to be refreshed in March 2022 following the adoption of the 10-year Nottinghamshire Plan. However, this has been delayed until the approach, which was revised following the review by Zurich, has been established and settled. In addition, as noted in the report to Committee in November 2023, "due to operational issues, this work has been delayed but it has now restarted, and a further update will be provided to Committee as soon as possible".

Revised departmental and corporate risk registers have been developed and a new corporate reporting format has been agreed with the CLT. Work currently continues to review and update both departmental and corporate risk registers along with updating the risk management framework for subsequent reporting to the Governance and Ethics Committee. The Council intends for a new framework to be published in early 2024. Work has also continued to recruit a permanent resource to lead on Corporate Risk Management, though recruitment to post has proved difficult so far. The Council is following appropriate HR actions to address.

The Council has one fully trained Counter Fraud Officer. The key fraud risk areas for local government are highlighted by the CIPFA Counter Fraud Centre (CCFC)'s annual 'Counter Fraud and Corruption Tracker' (CFaCT). The Council participates in this.

Risk profile and movement



National Fraud Initiative (NFI) - the 2020-22 exercise was completed and the key statistics for Nottinghamshire were: 28 reports matching NCC data against data from DVLA, DWP, mortality data, etc 14,209 total matches 1,551 high priority matches Council staff examined 14,209 matches on a risk basis and 1 case remained in progress.

The Council has an in-house internal audit function which we found to be adequately resourced and effective. The latest PSIAS assessment was completed in March 2023 by an external consultant and a fully compliant opinion given.

Governance

Informed decision making including the Audit Committee

Appropriate leadership is in place. The Council voted on 31 March 2022 to switch from a Committee Model to a Leader and Cabinet Model in May 2022. This has brought the Council in line with most upper tier shire counties and Nottinghamshire district and borough councils.

The intention is for the Governance and Ethics Committee to keep the new arrangements under review with a formal review after 12 months.

The Constitution, which was fully updated to reflect the changes arising from the move to a Leader and Cabinet Model, sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, whistleblowing, declarations of interests and gifts and hospitality.

Monitoring and ensuring appropriate standards

The Council has both an employee and a Members' code of conduct which are up-to-date to communicate its expected behaviours.

The Council has published the updated Constitution on its website for public use, this includes, for instance, the financial regulations, officers' code of conduct, protocols for registering and declaring interests and the scheme of delegation.

Conflicts of interests declared by Members can be found in their individual biographies on the Council's website.

When undertaking our audit of the 2021-22 financial statements, we identified some instances of members not declaring interests in companies they have an interest in per Companies House. A recommendation was raised in the 2021-22 Audit Findings Report in relation to this issue. We identified similar issues in our 2022/23 audit and we have raised in our 2022/23 Audit Findings Report that improvement is still required in this area.



| | 2022/23 | 2021/22 |
|--|--|--|
| Annual Governance Statement (control deficiencies) | Reasonable or Substantial assurance only. | Reasonable or Substantial assurance only. |
| Head of Internal Audit opinion | Reasonable assurance opinion on the arrangements in the Council for governance, risk management and control. | Reasonable assurance opinion on the arrangements in the Council for governance, risk management and control. |
| Ofsted inspection rating | SEND: Significant failings in the service | Not applicable |

The Council's performance against key governance metrics is set out in the table above.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

Due to a change in governance arrangements, from a committee model to a cabinet model performance is now reported to Cabinet. The first report was the Q2 report, which was presented to Cabinet in December 2022. This showed that all actions were on track or had been completed. Performance measures are shown for quarters 1 and 2 and some narrative is provided. However, it would help to understand performance if the target and, maybe, the 2021-22 outturn, was included alongside the in-year performance. This was raised as an improvement recommendation in our 2021/22 AAR issued in April 2023.

In May 2022, the Council published its Annual Delivery Plan to outline the key actions in 2022-23 to deliver the Council Plan. This Plan provides greater detail about the specific deliverables and provides information about how the Council will work with partners to achieve our ambitions for Nottinghamshire. It is available on the Council's website. The Council has also published its Annual Report for 2022-23, which provides more information to the public regarding progress against the Council Plan and Annual Delivery Plan. This has also been made available on the Council's website.

The Council has identified that improvements can be made in respect of place-based performance reporting to drive evidence-based change and service improvement. The Council has taken initial steps to address this, including the publication of its Data Strategy 2023-2028 as reported to Cabinet in December 2023.

The Council's Annual Delivery Plan for 2023-24 includes setting the baseline for Key Performance Indicators as well as setting out the Council's ambition against each indicator.

Benchmarking

The Council uses benchmarking to compare its costs and performance to other county councils. As an example, Adult Social Care is currently reviewing the Use of Resources report from the LGA published in October 2023 to assess any opportunities for service improvements.

We have used CFO Insights (based on 2022-23 budgets) to compare the Council's unit costs against other two-tier county councils (see next page). This shows that, overall, the Council's unit costs are low. However, there are some areas where the cost is very high (in comparison). These are Children's Social Care, Planning and Development, Public Health and Other Services. Following meetings with the relevant directors of services we are satisfied that the Council has adequate arrangements in place.



Improving economy, efficiency and effectiveness

| Nottinghamshire | | 2022/2023 (£000s) | Unit | Unit Cost (£) | Unit Cost Score |
|---|--|----------------------|------------|------------------|--------------------|
| TOTAL EDUCATION SERVICES (RA) £/aged 0-18 | | 413,643.00 | 176,807.00 | 2,339.52 | Low |
| TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head | | 44,218.00 | 833,377.00 | 53.06 | Average |
| TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17 | | 163,202.00 | 168,481.00 | 968.67 | Very High |
| TOTAL ADULT SOCIAL CARE (RA) £/aged 18+ | | 281,256.00 | 664,896.00 | 423.01 | Low |
| TOTAL CULTURAL AND RELATED SERVICES (RA) £/head | | 10,863.00 | 833,377.00 | 13.03 | Low |
| TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head | | 11,622.00 | 833,377.00 | 13.95 | Very High |
| TOTAL HOUSING SERVICES (GFRA only) (RA) £/head | | (37.00) | 833,377.00 | (0.04) | Very Low |
| TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head | | 38,266.00 | 833,377.00 | 45.92 | Very Low |
| TOTAL CENTRAL SERVICES (RA) £/head | | 4,429.00 | 833,377.00 | 5.31 | Very Low |
| TOTAL PUBLIC HEALTH (RA) £/head | | 49,286.00 | 833,377.00 | 59.14 | Very High |
| TOTAL OTHER SERVICES (RA) £/head | | 20,614.00 | 833,377.00 | 24.74 | Very High |
| TOTAL SERVICE EXPENDITURE (RA) £/head | | 1,037,362.00 | 833,377.00 | 1,244.77 | Low |

Partnership working

Internal Audit published a report on the governance of Category A bodies in December 2021. This included six priority one actions which are all overdue. In November 2023 it was reported to the Governance and Ethics Committee that no progress has been made due to no additional resources being made available to support the work. Legal Services has asked for the 'Due Dates' for the work assigned to them to be reviewed and extended by a further 12 months pending additional resources being made available. In addition, an annual governance report on the companies is to be provided to the Governance and Ethics Committee and Internal Audit will follow up on this in the next six months.

In May 2022, the Council published its Annual Delivery Plan to outline the key actions in 2022-23 to deliver the Council Plan including information about how the Council will work with partners to achieve our ambitions for Nottinghamshire. The Council has also published its Annual Report for 2022-23 which includes more explicit reference to the impact of its partnership activity and the outcomes achieved by working with key partner agencies. The Annual Delivery Plan and the Annual Report are available on the Council's website.

Reports from regulators

The last OFSTED inspection was in 2019, so the next one is expected early in 2024. However, an area SEND inspection of Nottinghamshire Local Area Partnership was undertaken by OFSTED between 30 January 2023 and 3 February 2023 and the report published on 16 May 2023 stated that the local area partnerships arrangements for SEND were inadequate.

In response to OFSTED's area SEND inspection report, the Council worked closely with its local area partners to put in place an improvement plan which was agreed in June 2023 and good progress is being made against the identified areas for priority action. This has been acknowledged by OFSTED in the improvement plan update reported to CLT in November 2023. We have raised an improvement recommendation for the Council to continue to take the necessary remedial action to address the weaknesses in the local area partnership's SEND arrangements identified in OFSTED's report.

Improving economy, efficiency and effectiveness

Reports from regulators (continued)

Although not a regulator, a standing item on the agenda of the Governance and Ethics Committee is an update of Local Government and Social Care Ombudsman Decisions. These decisions are reviewed to see what, if anything, went wrong and how to learn from the Ombudsman's findings.

Commissioning and procurement

The Council's Procurement Strategy 2019-2023 sets out the following six principles which underpin all its procurement activity:

- Place Nottinghamshire residents at the centre of all commissioning and procurement decisions
- Drive best value for public money
- Commercially focused procurement and sourcing aligned with strategic, business and operational plans, and operating a competitive approach in line with internal and external regulations
- Compliance with procurement legislation and the key principles of equal treatment, transparency and proportionality
- Innovation in Performance Management to ensure we are getting the most from all our commissioning and contracting arrangements
- Enhance Sustainability – environmental, economic, and social for the ongoing wellbeing of the people of Nottinghamshire.

A report covering planned contracting activity for 2021-23 was presented to the Finance Committee in September 2021 but a similar report was not presented in 2022 as a revised format had to be agreed following the move to the Leader and Cabinet Model. Various options have been considered and an updated approach will be used moving forward by the Council.

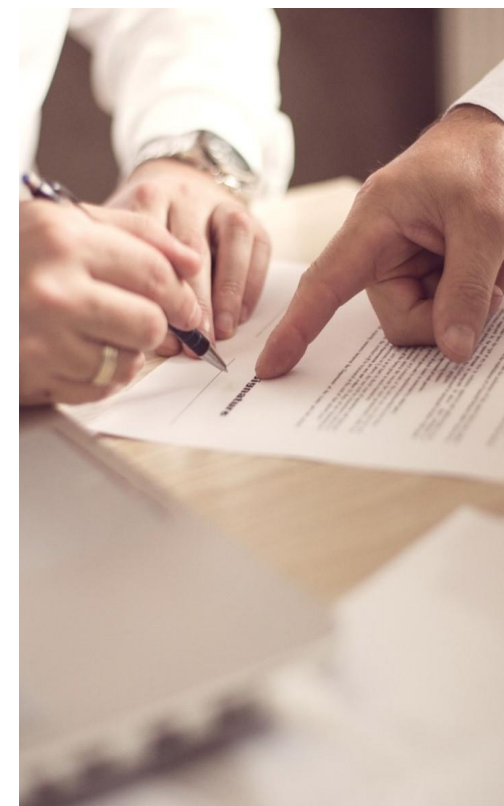
Commissioning and procurement (continued)

As widely reported, there have been significant increases in the cost of energy, both gas and electricity. However, the Council has purchased energy in advance through the Government's Crown Commissioning Services (CCS). This has meant that the Council has somewhat mitigated these increases as CCS buys wholesale price gas and electricity in advance in very large quantities, which provides significant savings and allows the Council to manage the risk of sudden price spikes.

The Group Manager for Procurement presents an annual waiver report to Governance and Ethics Committee in September following the relevant year end. For 2022-23, the number of waivers received decreased significantly from 44 to 23. The approved value of the waivers (£2.02m) was 37% lower than 2021-22 (£3.21m approved). 22% of the waivers were rejected in 2022-23 compared to 20% rejected in the previous year. Significant scrutiny continues to be undertaken on the reason and timing of waiver requests.

Climate Change/ Net Zero

In March 2020, the Council approved a new Corporate Environmental Policy that reaffirmed its commitment to protecting and enhancing the environment for current and future generations. It subsequently declared a climate emergency and committed to becoming carbon neutral for its activities by 2030 and achieving a net zero Nottinghamshire by 2050, in line with the national target. The Council's key sources of emissions are street lighting and other highways assets, its buildings and fleet.



Improving economy, efficiency and effectiveness

Climate Change/ Net Zero (continued)

A Carbon Reduction Plan covering the Council's activities has been approved. The Council has chosen to exclude emissions from its alternative service delivery organisations, such as Via East Midlands and the Arc Partnership, as it does not have direct control over the policies and activities that influence their emissions. However, the Plan notes that the Council "will use its relationship with these organisations to support and encourage reporting and reductions of their emissions in line with the Council's commitment, especially where the Council owns or has a significant stake in the organisation".

The plan aims for a 50% reduction in greenhouse gases by 2025 and 100% by 2030, noting that there was a 32% reduction from the 2019-20 baseline at the end of 2021-22, which suggests that the Council is on target to meet its 2025 aspiration.

In addition, to the Council's Carbon Reduction Plan, there is also a specific green plan for the Nottingham and Nottinghamshire Integrated Care System. This is NHS led, but the Council is a key partner and several references are made to what the Council is doing and to its ambitions.

Pension Fund

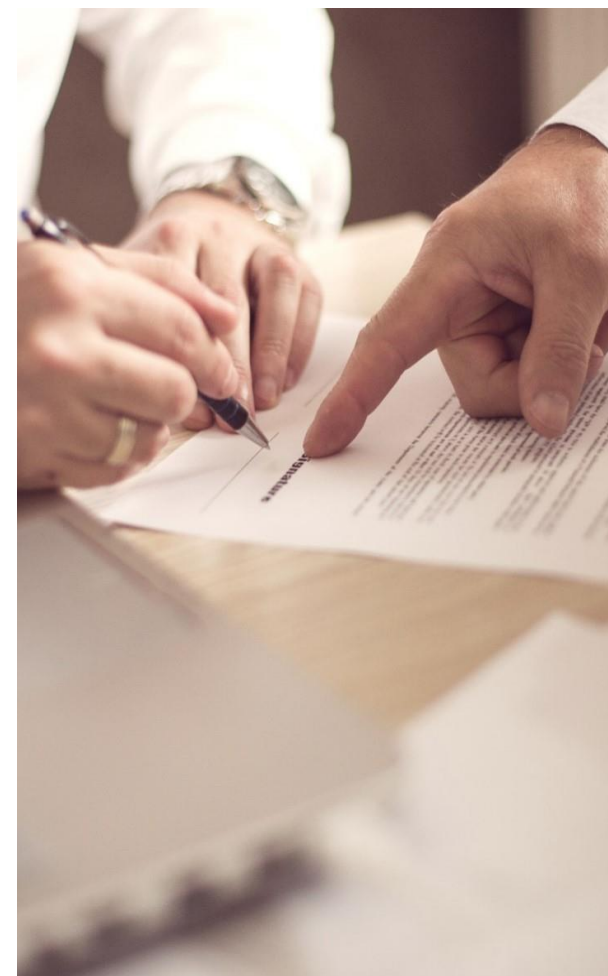
The Pension Fund's AGM was held on 12 January 2023, which although held in 2023 related to 2021-22. Included on the agenda were presentations on:

- Actuarial Issues – Barnett Waddingham LLP Presentation
- Management and Financial Performance – Financial Management Presentation
- Investment Performance – Pensions & Treasury Management Presentation
- Pensions Administration


At the AGM it was reported that although the investment return was below the benchmark over one year, it was slightly ahead over three years and ahead of five years.

In terms of the cost of managing the fund, Nottinghamshire administration costs compared to the average cost per member within the CIPFA Benchmarking Club were £14.08 v £21.05 (2021 latest available figures)

We concluded that the pension fund uses information about its costs and performance to improve the way it manages and delivers its services.



Improvement recommendation

| | |
|------------------------------------|---|
| Improvement Recommendation 1 | The Council should continue to take the necessary remedial action to address the weaknesses in the local area partnership's SEND arrangements identified in OFSTED's report. |
| Improvement opportunity identified | The Council will be able to provide satisfactory services for its customers with special educational needs and disability (SEND) . |
| Summary findings | SEND inspection of Nottinghamshire Local Area Partnership was undertaken by OFSTED between 30 January 2023 and 3 February 2023 and the report published on 16 May 2023 stated that the local area partnerships arrangements for SEND were inadequate. |
| Criteria impacted |  Improving economy, efficiency and effectiveness |
| Auditor judgement | Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements. |
| Management comments | The Nottinghamshire local area SEND Partnership continues to undertake focussed work to improve the experiences and outcomes of children and families. This work is captured in a joint Improvement Plan, that was approved by Ofsted and the CQC on 14 July 2023, and responds to findings of the Ofsted/CQC local area SEND inspection that took place in January/February 2023. Revised SEND governance arrangements have been implemented across the local area partnership and continue to be embedded. This includes the establishment of a SEND Partnership Improvement Board, which meets monthly to provide oversight, challenge and scrutiny of the partnership's performance, progress and implementation of the actions needed to improve services and the provision of care. |

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|---|------------------------|-------------|---|------------|---|
| 1 | The Council should include financial information for its subsidiaries, associates and joint ventures in its financial plans and monitoring reports. | Improvement | April 2022 | The Council delivers some of its services through companies it has holdings with. These are reflected in the MTFS approved by Full Council each year as part of the Annual Budget Report and in the Council's Statement of Accounts as part of the related party note. There is also a six-monthly meeting with each company to discuss progress. Following a review of how this information can be incorporated into reports to Members, a section on these relationships was included in the 2022-23 Management Accounts report to Cabinet in June 2023 and will be included henceforth. | No | A section has been included in the 22-23 management accounts report to Cabinet, but this lacks any financial information so transparency of financial performance and financial position of the companies should be improved. |
| 2 | The Council needs to fully identify and develop saving plans across the medium term to address the identified funding gap. | Improvement | April 2022 | In light of the continuing one-year settlements from Central Government, the Council does not consider it inappropriate to fully identify and develop savings plans to address the funding gap across the medium term as it recognises that savings are not the only means of addressing the funding gap. The 2023-24 Provisional Local Government Settlement, for example, provided the Council with £11.8m more grant than previous anticipated. Also, the Government allowed Councils to increase Council Tax by up to 3% and the Adult Social Care Precept by up to 2%. This has allowed services to be maintained without the need to identify even further savings. | Ongoing | Our recommendation extends to cover further funding gaps identified. |
| 3 | Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web. | Improvement | April 2022 | The Council has previously undertaken an exercise to identify such categorisation and determined that it became a nice to know rather than a need to know when considering the significant financial challenges and decision making that was needed to balance the budget. There has been no change from this position, which the Council considers to be consistent with other councils. | No | We consider the proposed action to be good practice and therefore our recommendation still stands. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|---|------------------------|-------------|---|-------------|--|
| 4 | The Council should continue to progress the actions required as a result of the key findings reported by Zurich Municipal on the Council's risk management arrangements. | Improvement | April 2022 | The Council has continued to work with Zurich Municipal to change its approach to the management of Corporate Risk. A report was approved by the Cabinet Member for Finance in July 2023 setting out the rationale and approach. A new framework will be published in early 2024 making risk management being assessed by departmental teams alongside finance and performance reporting. In the meantime the Council continues to maintain robust risk management processes in departments and at the corporate level. | In progress | Update the risk management policy and embed the revised arrangements throughout the Council. |
| 5 | Whilst interests declared by Members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of Members' interests. This would enable a review of the interests of specific Committees as a whole. | Improvement | April 2022 | The Council's view is that the requirement to have a register of interests is currently met by a physical copy of the register being available for inspection at County Hall and the information comprised in the register also being available on the Council's website via each Councillor's personal register of interests section on their individual page on the website. The Council also consider that there a risk in having a secondary form of online register as it may lead to issues of consistency and errors in updating may arise. A single location for the information is therefore preferred so, as a result, the Council does not intend to change the current arrangements relating to the register. | No | We consider the proposed action to be good practice and therefore our recommendation still stands. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|---|--|------------------------|-------------|--|------------|--|
| 6 | The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring. | Improvement | April 2022 | <p>The Council requires all employees to undertake Data Protection and Information Governance training on an annual basis. Training covers a broad range of data protection matters including a focus on data breaches and their potential impact. The latest position is that 89% of staff have undertaken the training.</p> <p>This training has been augmented by targeted training sessions for specific cohorts and on particular subjects, such as the delivery of training on data redaction for social care. The Council continuously reviews its Data Protection training offer, considering any identified trends in data incident metrics which are indicative of a need to focus additional training resources on a particular area of work or staffing group.</p> | Ongoing | Ensure that all employees undertake the required training. |
| 7 | We recommend that Internal Audit should undertake a review of the data quality of KPIs as part of its 2022/23 Internal Audit plan. | Improvement | April 2022 | Internal Audit considered this work as part of the risk intelligence processes during 2022/23. However, given other higher risk pieces of work, the audit is yet to be undertaken but will be rolled forward for consideration during subsequent risk assessment processes to determine the most appropriate timing for completion. | No | Consider for inclusion in a future Internal Audit plan. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|----|--|------------------------|-------------|---|------------|---|
| 8 | The Council should consider utilising the LGA Plus benchmarking tool to inform its budget processes. | Improvement | April 2022 | The Council has a commitment to making greater use of a full range of comparator and benchmarking tools, including LGInform Plus and the LGInform Value for Money tool to provide valuable comparator data for various projects & reviews undertaken by Transformation & Change team. Examples include input into Adult Social Care Reviews using Adult Social Care & Health data for older adults; and also validation of measures and indicators to compare performance of local authorities across key metrics proposed by the Office of Local Government (Oflog). | Ongoing | Implement the commitment to make greater use of tools including LGA Plus. |
| 9 | The reasons for significant movements in the budgeted and actual capital spend should be set out in the outturn report. | Improvement | April 2023 | Explanations for significant variances in the capital programme were set out in the 2022/23 Management Accounts Report. | Yes | |
| 10 | The Council should complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee. | Improvement | April 2023 | Due to unavoidable circumstances, work on revising the Council's Risk Management Strategy has been delayed. Work currently continues to review and update both departmental and corporate risk registers along with updating the risk management framework for subsequent reporting to the Governance and Ethics Committee. Work has also continued to recruit a permanent resource to lead on Corporate Risk Management. | Ongoing | Complete the remaining work on the revised risk management strategy and policy and report to the Governance and Ethics Committee. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date per management | Addressed? | Further action? |
|----|---|------------------------|-------------|---|------------|--|
| 11 | Include the 2022-23 performance target and 2021-22 result alongside the quarterly performance figures. | Improvement | April 2023 | The Council's Annual Delivery Plan for 2023-24 includes setting the baseline for Key Performance Indicators as well as setting out the Council's ambition against each indicator. | Ongoing | Ensure that prior year comparators are used in future years. |
| 12 | Internal Audit's report on the Viability and Sustainability of Category A Bodies should be finalised as soon as possible. | Improvement | April 2023 | Work is ongoing to finalise the Internal Audit Report on the Viability and Sustainability of Category A Bodies. The report is likely to be submitted to the Governance & Ethics Committee in Autumn 2024. | Ongoing | Finalise the report. |

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We anticipate that we will issue an unqualified opinion on the Council's 2022/23 financial statements.

The full opinion will be included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

We issued our Audit Plan in July 2023, and this was presented at the 19 July 2023 meeting of the Governance and Ethics Committee.

The Council provided draft financial statements in line with the national timetable and our audit took place mainly remotely over the period July–December 2023.

There were no significant issues encountered in performing the audit., however there were non material findings and related adjustments made to the accounts. We also raised a small number of recommended actions for management to take to improve the audit process in future years and to improve the control environment. Of the seven improvement points we recommended in our 2021/22 Audit Findings Report we found that four had not been fully addressed and we rolled forward our recommendations. Further detail is set out in in our 2022/23 Audit Findings Report which accompanies this report

We anticipate that we will issue an unmodified opinion on the financial statements for 2022/23 following the 28 February 2023 meeting of the Governance and Ethics Committee. In line with many other local government audits, this is after the 30 September national timetable, reflecting wider challenges in the audit sector.

Findings from the audit of the financial statements

The key issues were:

- We identified numerous disclosure issues, some of which have been adjusted in the final version of the financial statements and some of which management have elected not to adjust for
- We identified IT security and access weaknesses in the Council's financial ledger system
- We identified undeclared relationships of the Council's members and senior officers which required further audit work and disclosure amendments to the related party transaction note.

More detailed findings are set out in our Audit Findings Report, which is presented to the Council's Governance and Ethics Committee alongside this report on 28 February 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Other opinion/key findings

We anticipate issuing an unmodified opinion in respect of the other information presented with the financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 28 February 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council was below the threshold requiring extended procedures. We anticipate that we will issue the required 2022/23 assurance statement to the NAO shortly.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

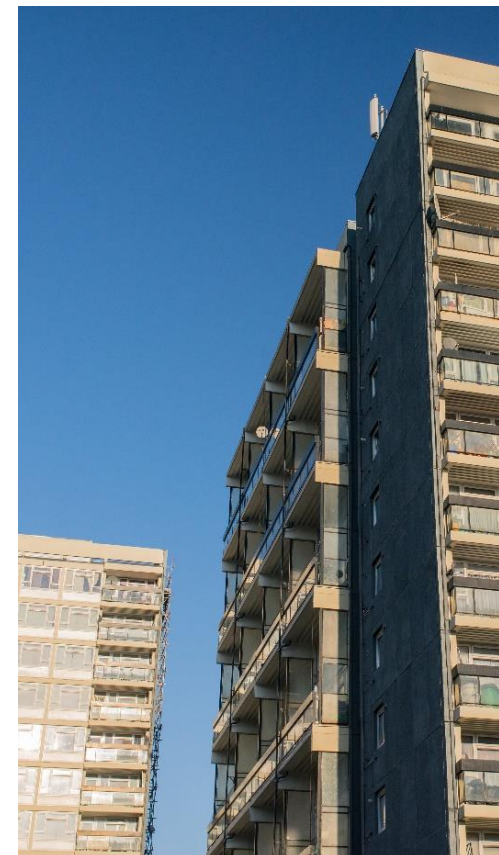
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

| Type of recommendation | Background | Raised within this report | Page reference(s) |
|------------------------|---|---------------------------|-------------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. | No | N/A |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council’s arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’. | No | N/A |
| Improvement | These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements. | Yes | 19 |

Appendix C:

Sources of evidence



Staff involved

- Adrian Smith, Chief Executive
- Melanie Williams, Corporate Director (Adult Social Care and Health)
- Colin Pettigrew, Corporate Director (Children and Families)
- Derek Higton, Interim Corporate Director (Place)
- Nigel Stevenson, Service Director (Finance, Infrastructure and Improvement)
- Marjorie Toward, Service Director (Customers, Governance and Employees)



Documents Reviewed

- Detail all key documents reviewed



28 February 2024**Agenda Item:8****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****LOCAL AUDIT DELAYS****Purpose of the Report**

1. To inform Members of the issues surrounding the proposals to clear the local audit backlog and embed timely audit.
2. Seek approval to delegate responsibility to the Section 151 Officer , in conjunction with the Chairman of this Committee, to respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Information

3. Timely, high-quality financial reporting and audit of local bodies is a vital part of democratic systems. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.
4. The backlog in the publication of audited accounts of local bodies in England has grown to an unprecedented level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.
5. In July 2023, the Minister for Local Government published a Cross-System Statement to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.
6. To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

7. DLUCH has launched a consultation, progressing the commitments made by Central Government and the Financial Reporting Council (FRC), to seek responses to cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.
8. The proposed package of measures being consulted upon consist of three stages:-
- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
 - Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
 - Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
9. This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and views are welcomed from any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework.
10. Although Phase 1 of the consultation does not impact on Nottinghamshire County Council, as audited opinions to 2022/23 have been completed, the recovery stage will impact on future audits and opinions. Proposals in the consultation suggest that Local Authorities would be required to publish audited accounts by the following dates for financial years 2023/24 to 2027/28:-
- 2023/24: 31 May 2025
 - 2024/25: 31 March 2026
 - 2025/26: 31 January 2027
 - 2026/27: 30 November 2027
 - 2027/28: 30 November 2028
11. Views are being sought on these proposed deadlines and on whether, in light of the above deadlines, the existing 31 May deadline for the publication of unaudited accounts remains appropriate for the financial years 2024/25 to 2027/28.
12. It is proposed that the Section 151 Officer, in conjunction with the Chairman of this Committee, respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Other Options Considered

13. Not providing an update to Committee on the steps being taken to address unprecedented levels of delay in completing audits from previous years would not be an appropriate course of action.

Reason/s for Recommendation/s

14. To ensure that Members are updated on proposals to clear the local audit backlog and embed timely audit.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

16. There are no financial implications arising from this report.

RECOMMENDATION/S

- 1) That Members note the issues surrounding the proposals to clear the local audit backlog and embed timely audit.
- 2) That approval is given to delegate responsibility to the Section 151 Officer, in conjunction with the Chairman of this Committee, to respond to the Local Audit Backlog consultation and circulate to Members of the Committee post submission.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Glen Bicknell, Senior Finance Business Partner, Financial Strategy and Compliance.

Constitutional Comments (19/02/2024 KK)

17. Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report and make the recommendations contained within this report.

Financial Comments (14/02/2024 GB)

18. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

28 February 2024**Agenda Item: 9****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****INTERNAL AUDIT TERM 2 2023-24 PROGRESS AND TERM 1 2024-25 PLAN****Purpose of the Report**

1. To inform Members of the work carried out by Internal Audit in Term 2 of 2023-24.
2. To consult with Members on the Internal Audit Plan for Term 1 of 2024-25.

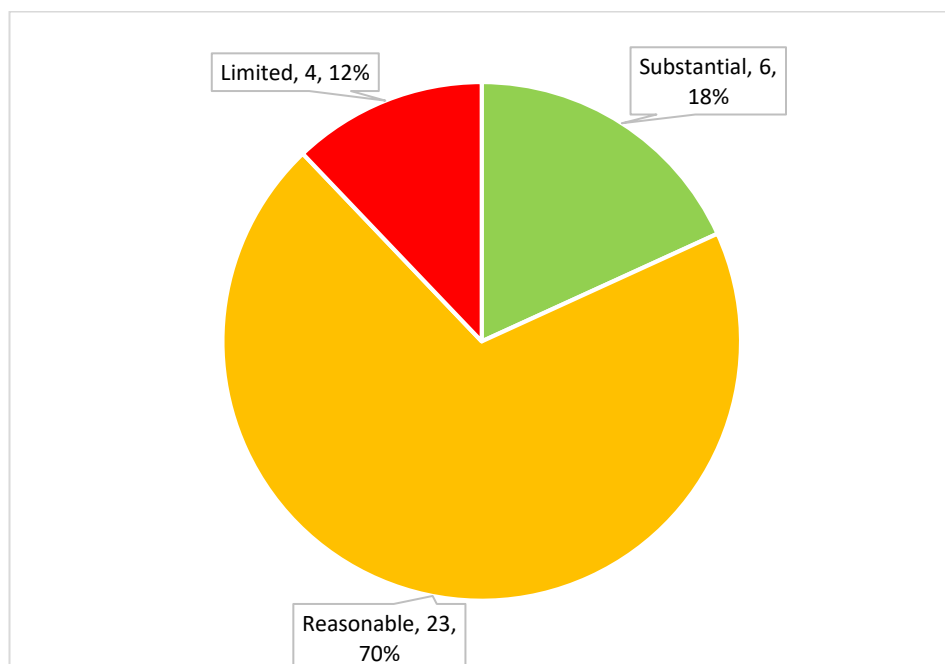
Information**Internal Audit's work in Term 2 – 2023-24 – August to November 2023**

3. Internal Audit continued to deliver its service through a flexible and agile approach. A range of work was completed across the Council, covering the following key types of Internal Audit input:
 - Assurance audits - for which an audit opinion is issued
 - Advice and consultancy – often relating to key developments, initiatives and changes to the internal control framework
 - Counter-fraud – primarily focussed on pro-active work to raise awareness of emerging fraud issues.

Audit assurance

4. The opinion-based assurance work is a key contributor to the Head of Internal Audit's year-end opinion on the adequacy of the Council's arrangements for governance, risk management and control. **Chart 1** shows the cumulative distribution of opinions issued in 2023-24, to the end of Term 2. This chart includes schools audits undertaken by the Children & Families Finance Team.

Chart 1- Opinions to end of Term 2 2023-24



5. In terms of the work completed on the County Council's services and systems, **Chart 2** analyses the opinions issued in Term 2 by service area and level of assurance.

Chart 2 - Opinions for Term 2 2023-24

| | LIMITED ASSURANCE | REASONABLE ASSURANCE | SUBSTANTIAL ASSURANCE |
|---|---|----------------------|--|
| Council-Wide | | Action Tracking | |
| Childrens Place | | | |
| Adults | Under/Over Payments of Enhanced Pay in the Short Breaks Service | | |
| Chief Exec's | | ICT Legacy Systems | ICT Cloud Services Use of Financial Waivers |
| School Audits | 2 Visits* | 9 Visits | 0 Visits |
| <p>*The main reason for Limited Assurance on school audits is the breakdown of the internal controls in relation to separation of duties and authorisation. This is due to the small number of staff involved, often only one office manager, who is able to generate and process transactions in relation to payroll, payments and expenses etc. Guidance and training is available to staff undertaking such functions from the Schools Finance Team.</p> | | | |

6. The significant pieces of assurance work during Term 2 were the following:

- Continuous Assurance – to provide a monthly report to the Council’s statutory officers on the application of internal control in key Council processes.
- Action Tracking – our 6-monthly report on the implementation of recommendations which went to the Nov 2023 committee.
- The above audits on the Use of Financial Waivers, ICT Cloud Services, ICT Legacy Systems, and a review of Under/Over Payments of Enhanced Pay in the Short Breaks Service.

Advisory input

7. Internal Audit continued to provide advisory input to developments across the Council. In term 2 we provided advice related to plans to strengthen controls over the Councillors Divisional Fund, including an analysis of payments made by the Fund in recent years.
8. Internal Audit’s advisory input ensures that timely advice is delivered and can influence subsequent actions. It helps to maintain our focus on control issues and provides intelligence for subsequent planned assurance activity.

Counter-Fraud

9. Internal Audit pursued its pro-active programme, disseminating fraud awareness materials to alert departments and staff of fraud risks and scams that emerged during Term 2. The following summarises the key areas of activity:
- Fraud awareness week, during November 2023. Dissemination of fraud awareness and fraud prevention materials across the Council, and schools, to support the counter fraud agenda.
 - National Fraud Initiative (NFI) – coordination and review of matches with departments.
 - National and Local Fraud Alerts – screening and distributing to relevant sections, of alerts publicised by national fraud agencies.
10. In addition, Internal Audit advises in fraud investigation activities involving live cases, and these will be summarised in the Annual Fraud Report, which is planned for the July committee.

Certification

11. Internal Audit provides a certification function for a variety of grants received and distributed by the Council, and financial accounts in which the Council has an interest. During Term 2 the following were audited:
- Bus Subsidy Revenue Grant
 - Home Upgrade Grant (phase 1) closure
 - Arts Council Grant – Libraries Improvement Fund – Village Hubs
 - In addition to the Trading Standards grants over £100k that we had to certify in the previous term, this term we certified an additional grant as required by the funding body.

Internal Audit Performance

12. **Appendix 1** provides an update on the Section’s performance in Term 2 against its key indicators. It includes the following charts to depict progress against the Term 2 Plan, expressed in terms of the following:

- Inputs – the number of audit days delivered against the plan. Each segment in the chart represents one month - ¼ of the Termly Plan.
- Outputs – the number of jobs completed against the plan. Each segment in the chart represents one month - ¼ of the Termly Plan.
- Productivity indicator – the target score is 1.

13. A good level of performance has been achieved and members' attention is drawn particularly to the following:

- Staffing resources – in Term 2 two Senior Auditors were recruited, resulting in an increase in the number of productive days delivered (as shown in appendix 1). Unfortunately one of these recruitments left in January 2024, which has had a negative impact on the productive days available for term 3 and term 1, resulting in a reduction of the number of planned days in term 1 (further described in para 20 below). This will result in a number of planned activities from term 3 needing to be concluded in term 1. The post has been readvertised and an offer has been made. A vacancy remains for an Internal Audit Apprentice, and this will be recruited to after the Senior Auditor post is filled. Time has been set aside from the planned audit work for the Team Manager's involvement in the recruitment and induction of new staff.
- Assurance and Advisory activities – the completion of internal audit activity reflects the impact of staffing changes and is reflected in the agile approach adopted. Term 2 again demonstrates that the Team have continued to flex plans and provide advisory activities to support the immediate risks facing the Council. This has an impact on delivery of the planned assurance reviews, but these are kept under review for ongoing priority in subsequent plans, as identified in the Term 1 plan for 2024-25.
- Action tracking implementation rates, for actions arising from audits, have now met or exceeded the target of 75% on the last three 6-monthly reviews. Our latest report on this to the Committee in November 2023 showed an implementation rate of 77% for 2021-22 actions and 87% for 2022-23 actions. The next update on this is scheduled for June 2024.

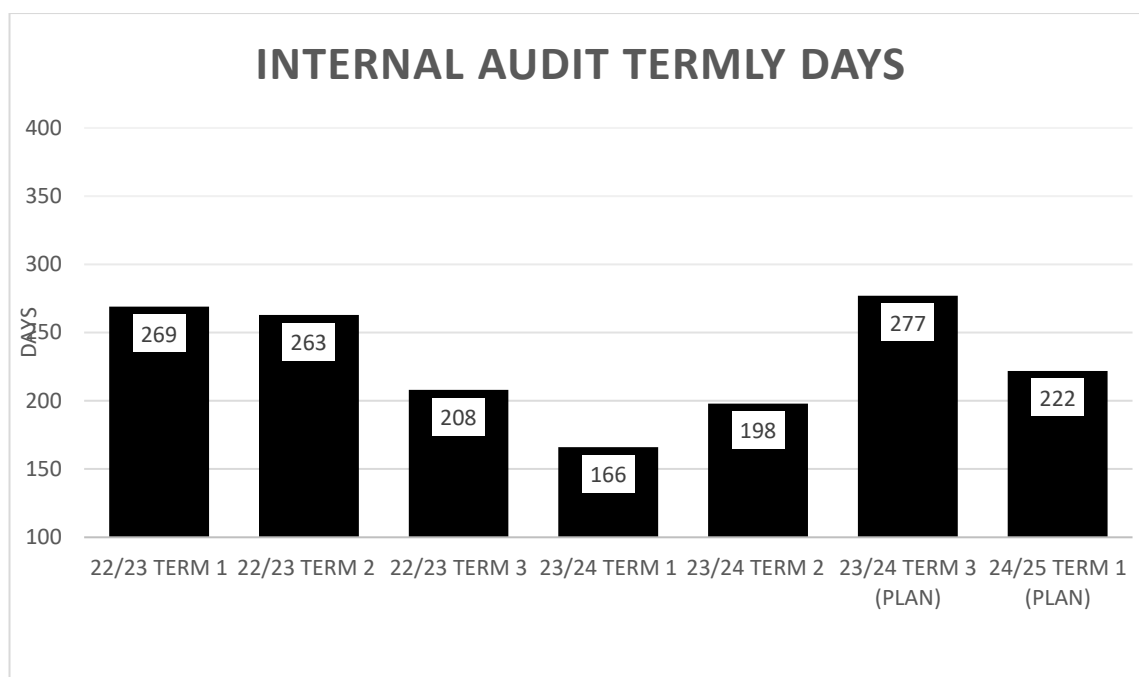
Proposed Internal Audit Plan for Term 1 - 2024-25

14. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards, and using the methodology previously reported to Members.
15. In addition to undertaking an assessment of audit risks, the termly plan also needs to consider the assurance it provides that the Council's Core Processes remain robust. The termly plan includes coverage of core processes on a cyclical basis to ensure that this assurance can be provided to support the Head of Internal Audit Annual Report. A reminder of the Core Processes was provided in the previous progress report.
16. The Term 1 plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its system of internal control. The Section's aim is to complete enough work to express an overall, annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements.

17. Termly planning continues to be developed in an agile way allowing the precise scope and objectives for each audit assignment to be agreed at the time the audit is to commence. Detailed discussions prior to an audit commencing should identify other sources of assurance already available for the area in question, thereby clarifying the risks on which Internal Audit's focus should most impactfully be applied. At this planning stage, therefore, proposed topics for audit are expressed in terms of the broad rationale for their inclusion.
18. Similarly, the termly plan contains a forward plan of areas to be considered for inclusion in subsequent terms, which again will be subject to more precise scoping at the time the audit is to commence.
19. **Appendix 2** sets out details of the draft coverage by Internal Audit for Term 1, and it is summarised in the following table.

| Assurance from Audit Coverage | Days | Outputs |
|---|-------------|----------------|
| Second Line Assurance work | 35 | 3 |
| Opinion Assurance | 93 | 5 |
| Advice / Consultancy Assurance | 46 | 0 |
| Counter Fraud Assurance | 18 | 4 |
| Certification Assurance | 30 | 3 |
| Total | 222 | 15 |
| External Client (Notts Fire & Rescue Service) | 13 | |
| Grand Total | 235 | |

20. The chart below shows the trend in the number of actual days available in recent terms, excluding the external client. The last two bars reflect planned days, as these terms had not ended at the time of this report. The increase planned in term 3 (277 days) will not be fully achieved because of one Senior Auditor leaving (see para 13 above). Term 1 shows a reduction (to 222 days) to reflect this reduced capacity.



21. The next Internal Audit update to Committee will cover details of the outcome of Internal Audit's work in Term 3 2023-24 (December 2023 to March 2024).

Other Options Considered

22. The Internal Audit Team is working to the Public Sector Internal Audit Standards. This report meets the requirement of the Standards to produce a risk-based plan and to report the outcomes of Internal Audit's work. No other option was considered.

Reason/s for Recommendation/s

23. To set out the report of the Interim Chief Internal Auditor to propose the planned coverage of Internal Audit's work in Term 1 of 2024-25, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

24. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required. Individual audits completed and in the proposed Termly Plan may potentially have a positive impact on many of the above considerations.

Financial Implications

25. The Local Government Act 1972 requires, in Section 151 that the Authority appoint an officer who is responsible for the proper administration of the Council's financial affairs. The Service Director for Finance, Infrastructure & Improvement is the designated Section 151 officer within Nottinghamshire County Council. Section 6 of the Accounts and Audit Regulations 2011 requires Local Authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The County Council has delegated the responsibility to maintain an internal audit function for the Authority to the Service Director for Finance, Infrastructure & Improvement and Section 151 Officer.

RECOMMENDATION

- 1) That the Committee notes the outcome of the Internal Audit work carried out in Term 2 of 2023/24, and the planned coverage of Internal Audit's work in Term 1 of 2024/25 to be progressed to help deliver assurance to the Committee in priority areas.

Nigel Stevenson

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact:

Simon Lacey

Group Manager - Internal Audit & Risk Management

Constitutional Comments (GR - 07/02/2024)

26. Pursuant to the Nottinghamshire County Council Constitution this committee has the delegated authority to receive this report.

Financial Comments (SES - 06/02/2024)

27. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

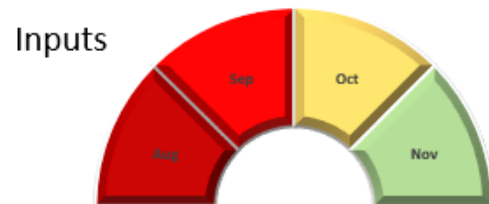
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

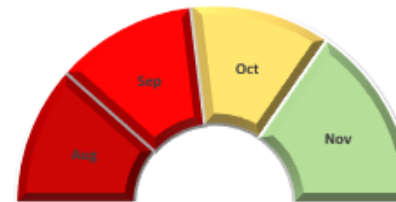
Electoral Division(s) and Member(s) Affected

- All

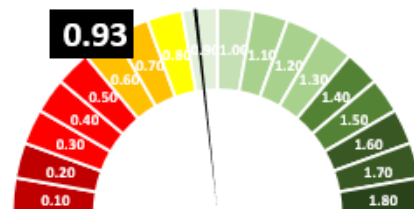
Progress against the Term 2 Plan 2023/24



Outputs



Productivity



Productivity target – 1.0

Days input are above target because of 2 new senior auditors who started in September and October respectively. This is not the reason for the jobs output being above target, which is mainly due to unplanned requests for grant certifications. The new senior auditors' first audits were in progress at the end of the term, so their impact on the productivity indicator (on the left) is delayed until their audit reports are issued.

Key Performance Indicators

| Performance Measure/Criteria | Target | Outcome in Term 2 |
|--|---|--|
| 1. Risk-aware Council | | |
| Completion of Termly Plan – Days | 90% | ✓ 124% |
| - Jobs | 90% | ✓ 115% |
| Regular progress reports to: <ul style="list-style-type: none"> - Departmental Leadership Teams - Corporate Leadership Team - Governance & Ethics Committee | 1 per term 1 per term 1 per term | ✓ Completed ✓ Completed ✓ Completed |
| Publication of periodic fraud/control awareness updates | 2 per annum | ✓ Annual Fraud Report - July 2023, and Progress Report - Jan 2024 |
| 2. Influential Audit Section | | |
| Recommendations agreed | 95% | ✓ 100% |
| 3. Improved internal control & VFM | | |
| Percentage of Priority 1 & 2 recommendations implemented. (Position as at last action tracking exercise in Nov 2023) | 75% | ✓ 77% of 2021/22 actions ✓ 87% of 2022/23 actions |
| 4. Quality measures | | |
| Compliance with the Public Sector Internal Audit Standards (PSIAS) | Compliance achieved | ✓ An External Quality Assurance review is required every 5 years. Last undertaken in March 2023 and confirmed compliance. An annual self-assessment will be done for the Head of Internal Audit Annual Report. |
| Positive customer feedback through Quality Control Questionnaire (QCQ) scores | Feedback good or excellent (where a score of 4 is excellent and a score of 3 is good) | ✓ 3.6 |

| Internal Audit Plan: 2024-25 - Term 1 (April to July 2024) | | | | | | | | | | APPENDIX 2 |
|--|--------------------------------------|-----------|--------------------------|--|-------------------|-------------------------------|--------------------------|---|---|------------|
| Area of Assurance Coverage | Priority Level (if risk assessed) | Job count | Other 3rd Line Assurance | Assurance from audit coverage and planned days | | | | | Potential scope or area of assurance coverage | |
| | | | | 2nd Line Assurance Role | Opinion Assurance | Advice/ Consultancy Assurance | Counter- Fraud Assurance | Certification Assurance | | |
| Audit Risk Assessment - Assurance Requirements for Term 3 | | | | Rationale for Assurance Requirement | | | | | | |
| Governance Framework | | | | | | | | | | |
| Continuous Audit Assurance | H | 1 | | 20 | | | | | Core process based : continued reporting to Statutory Officers of routine assurance that core processes are operating as intended, or to identify areas for management/audit attention. | |
| Action Tracking | H | 1 | | | 25 | | | | Follow-up work : six monthly review of the implementation of management actions agreed from previous audits | |
| Assurance Mapping | H | 1 | | 10 | | | | | Core process based : Completion of the annual assurance mapping exercise to capture assurance from across the Council to inform the Annual Governance Statement | |
| Head of Internal Audit Annual Report | H | 1 | | | 5 | | | | Core process based : The Head of Internal Audit's Annual Report for 2023/24 including an overall opinion on the Council's arrangements for Governance, Risk Management and Control. | |
| Annual Governance Statement | H | 1 | | 5 | | | | | Core process based : Co-ordinate evidence gathering and draft the Annual Governance Statement for 2023/24 | |
| Counter-Fraud | | | | | | | | | | |
| Pro-active Counter Fraud - Continuation of pro-active counter fraud activity and 6-monthly counter fraud progress report | H | 1 | | | | | 10 | | Counter fraud : Pro-active counter fraud activity in accordance with the fraud action plan, including the annual fraud report. | |
| Pro-active Counter Fraud – <i>Review of Matches 2022-24</i> | H | 1 | | | | | 4 | | Counter fraud : Review and report on the completion of recommended matches by the key contacts within departments, for the Cabinet Office's National Fraud Initiative (NFI). | |
| Counter Fraud Alerts - network dissemination & review of training materials | H | 1 | | | | | 3 | | Counter fraud : Review and dissemination of fraud alerts from national counter-fraud agencies. | |
| Counter Fraud case reviews | H | 1 | | | | | 1 | | Counter fraud : Regular liaison to address concerns including misuse and financial abuse involving service users | |
| Certification | | | | | | | | | | |
| Trading Standards | H | 1 | | | | | | 15 | Certification : Required by the National Trading Standards Board, to certify use of grants for the Regional Investigation Team and operations. Usually 3 grants. | |
| Multiply Grant | H | 1 | | | | | | 10 | Certification : Required by the Department for Education, to certify use of grant to improve numeracy skills of adults. | |
| Holiday Activities & Food Programme | H | 1 | | | | | | 5 | Certification : Required by the Department for Education, to certify use of grant to provide activities and food during school holidays, for children eligible for free school meals. | |
| Assurance | | | | | | | | | | |
| Governance - Cabinet and Scrutiny Model | H | 0 | | | 10 | | | | Core process based : Commencement of a review of compliance with the new governance arrangement under the Cabinet and Scrutiny model, to provide assurance and inform the AGS. Delayed by request for an earlier audit of Members Travel Claims. | |
| Performance Management | H | 1 | | | 7 | | | | Core process based : Completion of a review of arrangements for the routine reporting of performance information across the council. The need to review arrangements, including the data quality of KPI's, was highlighted in the external auditor's annual report. | |
| Accounts Receivable (Invoicing and Debtors) | H | 0 | | | 5 | | | | Core process based : Commencement of a review of arrangements for income recognition and invoicing at a departmental level to ensure completeness, and the effective management and recovery of debts, to support the MTFS. Review Delayed due to Senior Auditor leaving in January. | |
| Health & Safety | H | 0 | | 7 | | | | Core process based : Following a discussion at CLT, to commence a review to identify and assess the coverage of existing assurances and indicators that are available on Health & Safety, for subsequent inclusion in our Continuous Assurance monitoring and reporting. | | |
| Direct Payments to Family Member Carers | H | 0 | | 5 | | | | Intelligence based : Requested by the chair of the G&E Committee. Commencement of a review to give assurance regarding Direct Payments to Carers who are family members, following recent adverse publicity regarding abuse of position and complaints to the ombudsman. | | |

| Area of Assurance Coverage | Priority Level (if risk assessed) | Job count | Other 3rd Line Assurance | Assurance from audit coverage and planned days | | | | | Potential scope or area of assurance coverage | |
|--|--------------------------------------|-----------|--------------------------|--|-------------------|-------------------------------|--------------------------|-------------------------|---|---|
| | | | | 2nd Line Assurance Role | Opinion Assurance | Advice/ Consultancy Assurance | Counter- Fraud Assurance | Certification Assurance | | |
| Procurement - Contract Management Framework | H | 0 | | | 5 | | | | Intelligence based: Commencement of a review of compliance with the contract management system used across council to effectively manage contracts. Delayed due to Senior Auditor leaving in January. | |
| Residential Services - Financial Procedures | H | 1 | | | 7 | | | | Intelligence based: Completion of a wider review of financial procedures in Residential Services, following a recent more focused review of payroll errors in the Short Breaks service. | |
| Asset Management - Recording of Property assets | H | 0 | | | 7 | | | | Intelligence based: Commencement of a review of the completeness and accuracy of properties recorded (on the P2 system etc) for asset management, insurance and financial accounting purposes, following a recently identified omission | |
| ICT Audit from the ICT Risk Plan | H | 1 | | | 10 | | | | ICT Risk Based: Audit to be identified from the current ICT Audit Needs Assessment, which has been refreshed for 2024-26. | |
| | | | | | | | | | | |
| Sub-totals | | | | | 35 | 93 | 0 | 18 | 30 | |
| | | | | | | | | | | |
| Planning, reporting, client management | | | | | | | | | | |
| Governance & Ethics Committee | | 0 | | | | | 16 | | | Core Activity : Preparation of reports in accordance with the Governance and Ethics Committee annual work plan and attendance at meetings. |
| Client management | | 0 | | | | | 20 | | | Core Activity: Planning and termly progress reports to Corporate Leadership Team. |
| Advice | | 0 | | | | | 10 | | | Core Activity : Advice to client on financial and other controls, on request. |
| Sub-totals | | | | | 0 | 0 | 46 | 0 | 0 | |
| | | | | | | | | | | |
| Grand Totals | | 15 | | | 35 | 93 | 46 | 18 | 30 | |
| | | | | | 222 | | | | | |
| | | | | | | | | | | |
| Forward Plan for assurance in subsequent Terms | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Corporate Budgeting & MTFS | H | | | | | | | | Core Process based: Undertake a review focussed on the Medium Term Financial Strategy (MTFS), budget pressures, and the contribution made to savings from the Transformation Programme. | |
| Asset Management - Building & Office Rationalisation | H | | | | | | | | Core Process based: Undertake a review of the Building and Office Rationalisation Programme, in response to hybrid and smarter working - including the management of assets and the realisation of capital receipts. | |
| Payroll | H | | | | | | | | Core process based: A review of corporate Payroll controls including for starters, leavers, payments, allowances, using data analytical techniques where appropriate. | |
| Information Governance | H | | | | | | | | Core process based : Review of the arrangements for managing information governance risks, including Data Protection | |
| Workforce planning & employee recruitment | H | | | | | | | | Core process based : a review of progress on the Authorised Staffing and Establishment Workforce Review (ASEWR) which began in August 2022 | |
| Ethical Culture | H | | | | | | | | Risk based : it is a requirement of the Public Sector Internal Audit Standards that we evaluate the organisation's ethical framework. Our previous review reported in 2019 (report 2018-55). This next review will examine how the ethical framework is understood and applied, including with reference to the Nottinghamshire Way approach adopted by the Council. | |
| s106 agreements - sufficiency of contributions | H | | | | | | | | Intelligence based: A review of the sufficiency of developer contributions obtained under s106 agreements, to enable the proposed infrastructure to be provided | |
| Use of Agency Staffing | H | | | | | | | | Intelligence based: Undertake a review of the use of agency staffing contracts across the Council and especially in high use areas. | |
| PFI - arrangements for the exit | H | | | | | | | | Intelligence based: Arrangements in place for the completion, exit and hand back of arrangements under PFI schemes | |
| Thematic Review of Schools Finances - NAO Sustainability | H | | | | | | | | Intelligence based: Undertake a review of processes within schools based on risks emerging from the NAO guidance and sustainability. | |
| Social Care - Future Needs & Impact | H | | | | | | | | Intelligence based: Undertake a review of intelligence and data analytics used to form a view of future needs with comparison of practices nationally within Adults and Children's. | |

28 February 2024**Agenda Item:10****REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND
EMPLOYEES****BROXTOWE COMMUNITY GOVERNANCE REVIEW****Purpose of the Report**

1. This report informs Councillors about the process that is being followed by Broxtowe Borough Council, which is undertaking a Community Governance Review. It also summarises the proposals that are currently subject to consultation as part of the first phase of the review. The Committee is also asked to confirm that the Council reserves its position on submitting a formal response until the next phase of consultation by sending the courtesy letter attached to the report (**Appendix A**).

Information

2. The Local Government and Public Involvement in Health Act 2007 sets out the framework for principal councils to undertake community governance reviews of their local area. For Community Governance Reviews the principal authority in two tier areas is the district or borough council.
3. A Community Governance Review is a legal process through which the principal council will consult those living in the area, and other interested parties, on the most suitable ways of representing the people in the area identified in the review.
4. A review can consider one or more of the following options:
 - a. Creating, merging or abolishing parishes
 - b. The naming of parishes and the style of new parishes and the creation of town councils
 - c. The electoral arrangements for parishes (for instance, the ordinary year of election, council size, the number of councillors to be elected to the council and parish warding)
 - d. Grouping parishes under a common parish council or de-grouping parishes
 - e. Other types of arrangements including parish meetings
5. Community Governance Reviews can be instigated by a decision of the principal council or following receipt of a Community Governance Application from a neighbourhood forum. Alternatively, a review may be triggered by local people presenting a petition to the Council. For a petition to be valid it must meet specified criteria:

- a. It should define the area to which the review relates on a map or otherwise and refer to identifiable boundaries
 - b. It must specify one or more proposed recommendations for review
 - c. It must contain the requisite number of signatures of people included on the electoral register for the affected area. For an area of less than 500 local electors – 37.5%, for an area with between 500 and 2,500 local electors – at least 187, for an area with more than 2,500 electors, at least 7.5%
6. The Council is obligated to undertake a review if it receives a valid petition for the whole or part of the Council's area. However, it does not have to undertake a review if it has concluded a Community Governance Review within the last two years which, in its opinion, covered the whole or a significant part of the area of the petition or if the Council is currently conducting a review of the whole, or a significant part of the area to which the petition relates.
 7. The proposals on which consultation is being undertaken relate to all of the parishes in the north of the borough. They are summarised below.
 8. The first proposal that is subject to consultation would see the dissolution of Eastwood, Greasley and Kimberley Parish Councils to give effect, while the second would simply address boundary anomaly issues only. Consultation is also underway around how to treat Strelley.
 9. The main changes to county division boundaries arising from these proposals would predominantly relate to properties where the current boundary runs through the middle of properties. Any changes that would affect larger groups of properties would need to be assessed in final proposals so that the Council could either make representations requesting consequential amendments to its boundaries or recommending the area remains in the same Division and is dealt with administratively, as a new polling station. Members will have the opportunity to review the impacts, including the number of affected electors once the final draft recommendations are released for consultation.
 10. There are two main stages of consultation that form part of the Community Governance Review progress. During the first stage, Broxtowe Borough Council is consulting the affected communities on the proposals. The feedback from this will be used to determine a set of final draft recommendations, which will then be subject to a further period of consultation.
 11. The timetable for the review is outlined below:

| Action | Timescale |
|---|-------------------------------------|
| <ul style="list-style-type: none"> Terms of reference published. Stakeholders notified with clear definition of remit of review | 1 December 2023 |
| <ul style="list-style-type: none"> Local briefings and meetings (members/parish and town councils) | 1 December 2023 to 31 December 2023 |
| <ul style="list-style-type: none"> Initial submissions invited from stakeholders on future arrangements under terms of reference | 1 January 2024 to 31 March 2024 |
| <ul style="list-style-type: none"> Consideration of submissions received Draft recommendations prepared | 1 April 2024 to 31 May 2024 |

| Action | Timescale |
|--|-------------------------------------|
| <ul style="list-style-type: none"> Draft recommendations to be considered by Council | |
| <ul style="list-style-type: none"> Draft recommendations published for consultation Stakeholders notified | 1 June 2024 to 31 August 2024 |
| <ul style="list-style-type: none"> Consideration of submissions received Final recommendations prepared Final recommendations published concluding the review | 1 September 2024 to 31 October 2024 |
| <ul style="list-style-type: none"> Final recommendations considered by Council and decision made on arrangements with resolution to make a Reorganisation Order | November 2024 |
| <ul style="list-style-type: none"> Reorganisation Order made | December 2024 |

12. The proposals that are currently subject to consultation could have a small impact on county division boundaries. The number of affected electors would depend on the proposal that comes forward during the second stage of consultation.
13. A Council undertaking a Community Governance Review may ask the Local Government Boundary Commission for England to make changes to boundaries at district/borough or county level to reflect revised parish boundaries to maintain coterminosity. This may be a representation that the County Council wishes to make during the second stage of the consultation, having had the opportunity to review the proposed boundaries.
14. The Commission may agree to any requested related alterations and make an Order to implement them. Changes would come into effect at the next ordinary elections for each Council, so there may be a period where boundaries are not coterminous.
15. If the Commission decided not to implement any proposed related alterations, the existing boundaries would remain in force.
16. If a principal council was satisfied that the identities and interests of local communities were still reflected, and that effective and convenient local government would be secured, then it may decide that it does not wish to propose related alterations to ward or division boundaries. Changes would therefore be dealt with administratively, through the creation and/or revision of polling districts.
17. Where proposals for related alterations are submitted to the Local Government Boundary Commission for England, it would expect to receive evidence that the principal council has consulted on them as part of its review.

Other Options Considered

18. The Council is under no duty to submit a response. Not submitting a response at this stage of the review would not prejudice the Council's ability to respond to any further phases of consultation.

19. The Council could choose to submit a full response at this time, but any response would not be able to give due consideration to preferences and concerns submitted by local communities that would be affected by the review.

Reason/s for Recommendation/s

20. Broxtowe Borough Council is undertaking consultation on proposals relating to the governance arrangements of its parishes. Any individual, group or body could submit a response, which would be taken into account when preparing any final recommendations.
21. At this stage it is recommended that the Council adopts a watching brief, as it is not required to respond at this stage, and simply responds with a courtesy letter to the Borough Council that it will reserve its position during the next stage of the consultation.
22. By reserving any comments until the consultation on the final draft proposals, the Council will be able to refer to any local submissions made by other consultees made during phase one in its formal response.
23. If any individual Councillor or group wished to make comments on the proposals at this stage, they are able to send them directly to Broxtowe Borough Council.

Statutory and Policy Implications

24. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

25. This report has no financial implications.

Implications for Residents

26. From the perspective of the County Council, the proposals may mean that residents note in a different polling station to previous elections.
27. There are wider impacts of the review, which will be for Broxtowe Borough Council to consider when it develops its final proposals and subsequently votes on the final recommendations.

RECOMMENDATION

- 1) That the Chief Executive be authorised to submit the letter at **Appendix A** to the report as a courtesy response to the consultation on Broxtowe Borough Council's draft proposals, reserving its position for any formal response until phase 2 of the consultation.

Marjorie Toward

Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jo Toomey, Advanced Democratic Services Officer
Telephone: 0115 977 4506
Email: jo.toomey@nottcc.gov.uk

Constitutional Comments (LPW 09.02.2024)

28. The recommendations fall within the remit of Governance and Ethics Committee by virtue of its terms of reference.

Financial Comments (PAA29 29/01/2024)

29. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- [Community Governance Review \(broxtowe.gov.uk\)](http://broxtowe.gov.uk)
- [The Local Government and Public Involvement in Health Act 2007, Chapter 3](#)
- [The Legislative Reform \(Community Governance Reviews\) Order 2015 \(S.I. 2015/998\)](#)
- [Local Government Boundary Commission for England – Guidance on community governance reviews](#)

Electoral Division(s) and Member(s) Affected

- Eastwood – Councillor Kane Oliver
- Greasley and Brinsley – Councillor Elizabeth Williamson
- Nuthall and Kimberley – Councillor Philip Owen
- Stapleford and Broxtowe Central – Councillor Dr John Doddy, Councillor John ‘Maggie’ McGrath

This matter is being dealt with by:

Name: Jo Toomey

Reference: CGR/2024BBC

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Private and Confidential

To be opened by addressee only

Community Governance Review
Broxtowe Borough Council
Council Offices
Foster Avenue
Beeston
Nottinghamshire
NG9 1AB

28 February 2024

Dear Sir or Madam

Thank you for notifying Nottinghamshire County Council about the Community Governance Review that you are currently undertaking within the Borough.

The Council appreciates that this is the first of two periods of consultation and that at this time other proposals are likely to come forward.

At this stage Nottinghamshire County Council would like to acknowledge our interest in the review but we do not wish to make comments at this time.

The Council reserves the right to respond during the second consultation stage, after the final draft recommendations have been published. We can then consider these in conjunction with submissions and comments made by local communities during the first phase of consultation. We will therefore consider whether a formal response providing comments is required at that time.

Yours faithfully

Adrian Smith
Chief Executive
Nottinghamshire County Council

28 February 2024**Agenda Item: 11****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND
EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To review the Committee's work programme.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the Committee's agenda, the scheduling of the Committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Committee meeting. Any member of the Committee is able to suggest items for possible inclusion.
3. The attached work programme includes items which can be anticipated at the present time.

Other Options Considered

4. The option to not present a work programme to the Committee was rejected as it would not allow forward planning or management of agenda items.

Reason/s for Recommendation/s

5. To assist the Committee in preparing and managing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

- 1) That Committee considers whether any changes are required to the work programme.

Marjorie Toward

Service Director, Customers, Governance and Employees

For any enquiries about this report please contact:

Noel McMenamin - Democratic Services

Tel. 0115 992 2670

E-mail: noel.mcmenamin@nottsc.gov.uk

Constitutional Comments (EH)

7. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

8. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

GOVERNANCE & ETHICS COMMITTEE – WORK PROGRAMME (as at 14 February 2024)

| <u>Report Title</u> | <u>Brief Summary of agenda item</u> | <u>Lead Officer</u> | <u>Report Author</u> |
|--|---|----------------------------|-----------------------------|
| 28 February 2024 | | | |
| Update on Local Government and Social Care Ombudsman Decisions | To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council | Marie Rowney | Richard Elston |
| Annual Audit Report 2022/23 | To inform Members of the External Auditors' Annual Audit Report and outcome of the Value for Money Audit | Nigel Stevenson | Glen Bicknell |
| Annual Audit Findings Report 2022/23 | To share the findings of the main Annual Audit. | Nigel Stevenson | Glen Bicknell |
| Internal Audit Term 2 Progress 2023/24 and Term 1 Plan 2024/25 | To consider proposed audit coverage for Term 1 | Nigel Stevenson | Simon Lacey |
| Broxtowe Community Governance Review | To note the review of community governance arrangements being undertaken by Broxtowe Borough Council. | Marjorie Toward | Jo Toomey |
| 6 Monthly Update on EHCP Assessments | To consider an update on EHCP Assessments | | Robert Briggs |
| 17 April 2024 | | | |
| Update on Local Government and Social Care Ombudsman Decisions | To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council | Marie Rowney | Richard Elston |
| Review of the improvements to communication | To review the impact of the measures introduced by Adult Social Care Financial Services following corporate review and in response to LGSCO decision findings | Sue Batty | Nicola Peace |
| Review of Arms Length Organisations | To review the governance arrangements of Arms Length Organisations | Nigel Stevenson | Derek Higon |
| Governance Update | To consider progress against the Governance Action Plan for 2023/24 | Nigel Stevenson | Simon Lacey |
| Statement of Accounts – 2023 – 24 Accounting Policies | To review and approve the proposed accounting policies used in creating the Statement of Accounts for 2023/24 | Nigel Stevenson | Glen Bicknell |
| 19 June 2024 | | | |
| Update on Local Government and Social Care Ombudsman Decisions | To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council | Marie Rowney | Richard Elston |
| Governance and Ethics Committee Annual Report | To consider the draft annual report | Nigel Stevenson | Simon Lacey |

| | | | |
|--|--|-----------------|-------------------------------|
| | | | |
| Annual Governance Statement 2023 – 24 | To consider the draft statement for 2023/24 | Nigel Stevenson | Simon Lacey |
| Assurance Mapping Annual Report | To review the assurance provided from the map in 2022/23 and consider coverage for 2023/24 | Nigel Stevenson | Simon Lacey |
| Head of Internal Audit's Annual Report 2023/24 | To inform the Committee of the Annual Report for 2023/24 and opinion on adequacy of arrangements for governance, risk management and control | Nigel Stevenson | Simon Lacey |
| Follow-Up of Internal Audit recommendations – 6 monthly update | To consider an update on progress with implementing agreed actions from Internal Audit reports | Nigel Stevenson | Simon Lacey |
| Use of the Councillors Divisional Fund 2023/24 | To provide an annual update on the use of the Councillor's Divisional Fund for 2022/23 | Marjorie Toward | Keith Ford |
| Whistleblowing Policy – Annual Update and Policy Review | To consider the outcomes of a review of the Council's current Whistleblowing Policy | Marjorie Toward | Heather Dickinson/Emma Hunter |
| 24 July 2024 | | | |
| Update on Local Government and Social Care Ombudsman Decisions | To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council | Marie Rowney | Richard Elston |
| Term 3 Progress 2023/24 and Term 2 Plan 2024/25 | To consider proposed audit coverage for Term 2 | Nigel Stevenson | Simon Lacey |
| Annual Fraud Report 2022-23 | To review the incidence of fraud over the year and an update on risks and mitigations | Nigel Stevenson | Simon Lacey |