Grant Thornton

The Audit Findings for Nottinghamshire County Council

Year ended 31 March 2023

28 February 2024

Contents

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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

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.

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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.

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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)

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.

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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.

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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: • 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
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 Council, 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 frameworks of local authorities, including Nottinghamshire County Council, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Nottinghamshire County Council.	No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands. Although the significant risk has been rebutted, the material value of the Council's revenue transactions has required us to carry out audit procedures. There were no findings in relation to fraud, and no errors above the trivial level to report to you.
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 Council and have determined it to be appropriate to rebut this risk based on limited incentive and opportunity to manipulate expenditure.	No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands. Although the significant risk has been rebutted, the material value of the Council's expenditure transactions has required us to carry out audit procedures. There were no findings in relation to fraud, and no errors above the trivial level to report to you.

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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.

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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

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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

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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.

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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: • revalued in year £428.6 (70%) • not revalued in year £183.8m (30%)	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. 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. 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. 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. 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).	• 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

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Surplus Assets valuations – £94.9m Of which: • revalued in year £67.5m (71%) • not revalued in year £27.4m (29%)	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. 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. 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. 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. 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.	• 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.	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

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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: • revalued in year £60.5m (100%)	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. 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. 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. 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. The total year end valuation of investment properties was £60.5m, a net decrease of £0.6m from 2021/22 (£61.1m).	• 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.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious We identified three non-material errors as set out on page 10 and in Appendix D.

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	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. 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).	• 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:	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

We have considered:

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

Assessment

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

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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)	**SAP Support staff and vendors with DEBUG access in SAP.** We reported this issue in our 2020/21 and 2021/22 audit findings reports. 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. We consider that the level of access afforded is an enabler for fraud.	We recommended that management removes the DEBUG access rights. **Management response** Our prior year recommendation in Appendix C was actioned by management in July 2022. We have no further recommendations to make.	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: - 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. We have no issues to bring to your attention as a result of this testing.

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

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2. Financial Statements - Information Technology

Assessment	Issue and risk	Recommendations	Additional audit procedures
(deficiency)	**Users with inappropriate access to maintain all SAP Standard or Customised tables in production** Our audit procedures identified 20 user accounts that were assigned access to maintain all SAP standard or customised tables via SM30 or SM31. 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. **Risks** 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.	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 response** The 20 users identified are based in the SAP support (Competency Centre) or Payroll Support (Payroll Control) teams. For the SAP support (Competency Centre) team – access has been changed and limited to display-only as of February 2024. 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.	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: - Identifying, risk-assessing, and testing where necessary all journals posted by the identified users for validity We have no issues to bring to your attention as a result of this testing.

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

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2. Financial Statements - Information Technology

Assessment	Issue and risk	Recommendations	Additional audit procedures
(deficiency)	**Segregation of duty conflicts within SAP Batch control** 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. 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. **Risks** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to - 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	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. **Management response** For the users identified from Finance team, the access will be completely removed. Target completion by end of October 2023 Access to SM37 is required for Payroll Support (Payroll Control) team to- 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. Note the Payroll Support (Payroll Control) team manage payroll processing. There is a separate team who provide operational /transactional payroll services 2. Cancelling payroll batch jobs 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.	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: - Identifying, risk-assessing, and testing where necessary all journals posted by the identified users for validity We have no issues to bring to your attention as a result of this testing.

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

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2. Financial Statements - Information Technology

Assessment	Issue and risk	Recommendations	Additional audit procedures
improvement opportunity	**Users with inappropriate access to ABAP debugger in production** 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. 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. **Risks** 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 .	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 response** 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. We have actioned the removal of display access and the changes will be tested and transported into Production during October 2023. Completed October 2023.	None required.

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

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2. Financial Statements - Information Technology

Assessment	Issue and risk	Recommendations	Additional audit procedures
● improvement opportunity	**Weak password configuration settings for SAP** 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. **Risks** 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.	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 **Management response** SAPCPIC/TMSADM – We will investigate the impact of changing these system passwords with our support partner Target completion by end of October 2023. This remains under investigation with our support partner.	None required.

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

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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	The following issues were identified: 1. 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. 2. 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. 3. 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.

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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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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.

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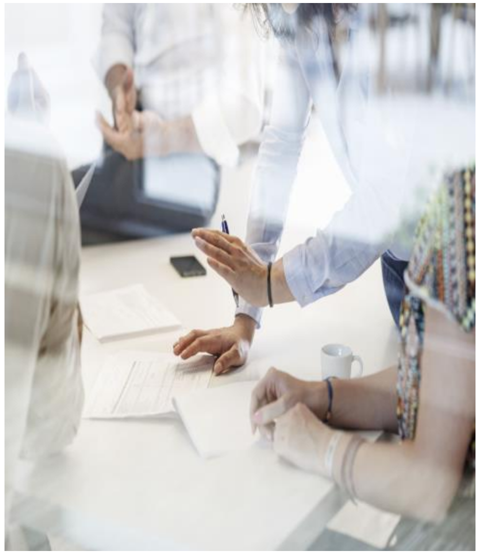
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	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. 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
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. For Nottinghamshire County Council, this work is not required as the Council does not exceed the £2 billion reporting threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Nottinghamshire County Council in the audit report, as detailed in Appendix H.



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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 require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

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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
Financial Planning (Medium Term Financial Sustainability) Wording from our Audit Plan: 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.	• 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 sustainability • made an assessment of those arrangements • gathered sufficient evidence to support the commentary on the body's arrangements in the Auditor's Annual Report • confirmed our work has not highlighted any further risks of significant weaknesses in arrangements that weren't identified at the initial planning stage	A significant weakness in arrangements has not been identified	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.

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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.

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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) 10,000 (22/23)	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.
		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.

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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.

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Appendices

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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.

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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

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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
✓	Academy school transfers – land and buildings not derecognised 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.	Management update: 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. Auditor findings and conclusion: No similar issues identified. Matter considered closed.
X	Declaration of interests – undeclared interests We recommended that the Council strengthens its declaration of interest process as there is otherwise a risk of incompleteness of related party disclosures.	Management update: Members team liaise with Councillors to encourage declarations, Finance team with Officers. Auditor findings and conclusion: Similar issues have been identified in 2022/23 in relation to undeclared interests. We recommend the process is further strengthened. Management response: The declaration process will be further reviewed in conjunction with a revised Members Code of Conduct which is now developed.
✓	SAP Support staff and vendors with DEBUG access in SAP 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.	Management update: The access was removed in July 2022. Auditor findings and conclusion: Matter considered closed.
X	Internal recharge transactions not separately identifiable We recommended that recharge transactions should be coded in such a way that they can be separately reported on for management and auditor information.	Management update: SI doc types have meant partial isolation of internal recharges, project to define recharges on going This is an on-going project which will deliver improvements in 2023/24 Auditor findings and conclusion: The project to remedy this issue is ongoing so is not yet fully resolved.

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Fully depreciated vehicles, plant, furniture and equipment not disposed 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.	Management update: 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 Auditor findings and conclusion: 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.
X	Payables and Receivables reports- first reported in 2019/20 We recommended that the Council improves the listings it holds to support the breakdown of year end debtors and creditors.	Management update: Listings for vendors and customers accruals in full now available. Manual accruals and system accruals to be added for full picture Auditor findings and conclusion: 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. Management response: We are committed to improving these reports where possible within the constraints of relevant system outputs
X	Journals controls- self authorisation 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.	Management update: 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 Auditor findings and conclusion: 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. Management response: We feel that the mitigations already in place are sufficient to address this recommendation based on existing system functionality.

Assessment

✓ Action completed

X Not yet addressed

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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.

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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	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.	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

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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

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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**

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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**

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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.

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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	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • 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	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.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • 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	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. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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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.

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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.

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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

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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.

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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.

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

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.

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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:

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