

Governance and Ethics Committee

Wednesday, 22 March 2023 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of last meeting held on 22 February 2023	3 - 6
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	Local Government & Social Care Ombudsman Decisions January 2023 to February 2023	7 - 30
5	Update on Communication Improvements in response to the Local Government & Social Care Ombudsman Findings	31 - 36
6	Annual Audit Findings 2021-22	37 - 112
7	Internal Audit Term 2 Progress Report & Term 1 Plan 23-24 Report	113 - 124
8	Corporate Governance Update Report	125 - 132
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10	Work Programme	157 - 160

Notes

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

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Kate Morris (Tel. 0115 804 4530) or a colleague in Democratic Services prior to the meeting.

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



Meeting **GOVERNANCE AND ETHICS COMMITTEE**

Date **Wednesday 22 February 2023 (commencing at 10.30am)**

membership

COUNCILLORS

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

Richard Butler
Errol Henry JP
Andy Meakin
Michael Payne - **Apologies**
Sue Saddington

Helen-Ann Smith – **Apologies**
Nigel Turner - **Apologies**
Roger Upton
Daniel Williamson

SUBSTITUTE MEMBERS

Councillor Mike Adams for Councillor Nigel Turner
Councillor Pauline Allen for Councillor Michael Payne

INDEPENDENT PERSONS IN ATTENDANCE

Ian Bayne
Craig Cole
Rob White

OFFICERS IN ATTENDANCE

Heather Dickinson - Chief Executive's
Martin Elliot
Richard Elston
Keith Ford
Catherine Haywood
Simon Lacey
Kate Morris
Nigel Stevenson
Marje Toward
Chris Ward - Place

1. MINUTES

The Minutes of the last meeting held on 4 January 2023, having been previously circulated, were confirmed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from:

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- Councillor Payne (Council Business)
- Councillor Smith (Medical/Illness)
- Councillor Turner (Medical / Illness)

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

4. LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN MEETING UPDATE

The report provided an update to the Committee on the meeting between the Chairman, Vice Chairman, Ombudsman Representative and Council Officers to discuss some of the recent decisions made by the Ombudsman. Members agreed that the meeting had been productive and that initial outcomes presented by the Ombudsman should be challenged where appropriate.

RESOLVED: 2023/06

That the Committee notes the content of this report and considers the recommendations made by the Ombudsman on the key areas of improvement as detailed in the report.

5. UPDATE ON LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN DECISIONS (DECEMBER 2022 TO JANUARY 2023)

The report set out information about three complaints against the Council where fault was found by the Local Government and Social Care Ombudsman and an additional complaint originally brought to the January meeting. Members were given the opportunity to ask questions of officers and seek assurance about actions put in place from the relevant departments regarding those complaints.

RESOLVED: 2023/07

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

6. WHISTLEBLOWING UPDATE

The report provided an update to the committee on Whistleblowing activity in 2022 and on the ongoing review of the current policy. Members were given the opportunity to ask questions of officers

RESOLVED: 2023/08

That members support the continuation of the work to review the policy and to receive an update on the review to a future committee meeting.

7. ATTENDANCE AT KEY NATIONAL CONFERENCES (UPDATE)

The report set out proposals for updated approval for relevant Member attendance at a number of key national conferences which the Council routinely attends on an

annual basis taking into account the change in political balance following the recent by-election.

RESOLVED: 2023/09

- 1) That a standing approval be granted for the following conference attendance by Members, together with any necessary travel and accommodation arrangements:

<u>Conference</u>	<u>Relevant Member Roles</u>
LGA Annual Conference and Exhibition	Council Leader Council Deputy Leader Leader of both Opposition Groups (4 places maximum)
CCN Annual Conference	Council Leader Council Deputy Leader Leader of both Opposition Groups (4 places maximum)
NCASC Annual Conference	Cabinet Member or Deputy Cabinet Member for Adult Social Care and Public Health (ASCPH) Cabinet Member or Deputy Cabinet Member for Children and Families (C&F) (2 places maximum)
LGA / ADPH Annual Public Health Conference	Cabinet Member or Deputy Cabinet Member for ASCPH Chairman of Health and Wellbeing Board (2 places maximum)

- 2) That an updated approval, where relevant, be sought at any such point when the cost of places at any of the above events increases beyond inflationary increases.
- 3) That each conference attended should result in a report back to this committee from attendees using a standardised form briefly outlining the conference content and the benefits gained from attending.

8. WORK PROGRAMME

RESOLVED: 2023/10

That the work programme be agreed.

The meeting closed at 10:54am.

CHAIRMAN

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

1. To inform the Committee about Local Government & Social Care Ombudsman's (LGSCO) decisions relating to the Council since the last report to Committee was completed and therefore any decisions after 30th January 2023.

Information

2. Members have asked to see the outcome of Ombudsman investigations regularly and promptly after the decision notice has been received. This report therefore gives details of all the decisions received since the last report to this Committee which was held on 22nd February 2023.
3. The LGSCO provides a free, independent and impartial service to members of the public. It looks at complaints about Councils and other organisations. It only looks at complaints when they have first been considered by the Council and the complainant remains dissatisfied. The LGSCO cannot question a Council's decision or action solely on the basis that someone does not agree with it. However, if the Ombudsman finds that something has gone wrong, such as poor service, a service failure, delay or bad advice and that a person has suffered as a result, the LGSCO aims to get the Council to put it right by recommending a suitable remedy.
4. The LGSCO publishes its decisions on its website (www.lgo.org.uk/). The decisions are anonymous, but the website can be searched by Council name or subject area.
5. A total of two decisions relating to the actions of this Council have been made by the Ombudsman in this period. Appendix A to this report summarises the decisions made in each case for ease of reference and Appendix B provides the full details of each decision.
6. Full investigations were undertaken into two complaints. Appendix A provides a summary of the outcomes of the investigation. Where fault was found, the table shows the reasons for the failures and the recommendations made. If a financial remedy was made the total amount paid or reimbursed is listed separately.

7. There was fault found in both cases. The first case is in Childrens. The complaint is regarding a Education, Health and Care plan for a child and the Council's failure to ensure delivery of all special educational provisions (SEP) included in the EHCP following the family's move to the area. There was fault found due to the failure to follow the right EHCP review process and delay in removing the child (Y) from the school roll. The Council has agreed to apologise and pay £3397 to recognise the distress, the loss of provision and refund for counselling sessions and equipment for the child.
8. The second complaint is in Adults. The complaint is about the assessment and decisions to move or not move Mr C's mother to a care home. The Council is not at fault for Mrs D's initial move to a care home. The Council was found to be at fault however for failing to properly consider whether it was in her best interests to remain at the care home. To remedy the complaint the Council has agreed to pay Mr C £300 in recognition of the uncertainty its actions have caused him. Training will also be undertaken to remind staff about how and when to complete best interest decisions. It is worth noting Mr C is challenging the Ombudsman's final decision regarding the recommended financial remedy however the Council should not be affected as a final decision has been issued and both parties have had time to comment on their findings.

Statutory and Policy Implications

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

Data Protection and Information Governance

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

Financial Implications

11. The details of any financial payments are set out in Appendix A. £3397 will come from Childrens and £300 will come from Adults

Implications for Service Users

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

RECOMMENDATION/S

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

Marjorie Toward
Monitoring Officer and Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:
Richard Elston Team Manager – Complaints and Information Team

Constitutional Comments (HD (Standing))

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

Financial Comments (SES 08/11/2022)

15. The financial implications are set out in paragraph 11 of the report.

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

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

APPENDIX A

THERE WERE NO CASES WHERE DECISIONS WERE MADE NOT TO INVESTIGATE FURTHER AND THERE WERE NO FULL INVESTIGATIONS WHERE NO FAULT FOUND

FULL INVESTIGATIONS WHERE FAULT FOUND

DATE	LGO REF ANNEX PAGE NO	PROCEDURE	COMPLAINT SUMMARY	DECISION	RECOMMENDATION	FINANCIAL REMEDY	STATUS OF AGREED ACTION
15.02.2023	22008374	Corporate	Complaint by Mr X who says the Council failed to Review Y's EHCP following the family's move into the Council's area; follow the right EHCP process and remove Y from the school's roll in a timely manner.	The Council was at fault in failing to provide suitable education and deliver provisions for a number of months, it was also found at fault for not issuing the EHCP within timescales.	The Council agreed to the Ombudsman's apologise to Mr X for the injustice caused to him and Y by the faults identified and pay for the 4.5 months where there was a lack of provision, refund for the counselling sessions arranged by Mr X and also a payment to recognise the distress	£3397	Actions will be completed by mid March 2023
13.02.2023	22003087	Adults	Mr C complains the Council moved his late mother, Mrs D, without his knowledge, without considering more cost effective	The Ombudsman stated the Council is not at fault for Mrs D's initial move to a care home. The Council is at fault however for failing to	The Council should apologise to Mr C and pay him £300 in recognition of the time, trouble and uncertainty. Revisit and complete training with staff about completing and	£300	Actions will be completed by mid March 2023

			options, and her best interests.	properly consider whether it was in her best interests to remain at the care home	recording best interest decisions		

The Ombudsman's final decision

Summary: The complainant (Mr X) said the Council failed to review his son's (Y) Education, Health and Care Plan (EHCP) following the family's move, failed to ensure delivery of all special educational provisions (SEP) included in the EHCP, failed to follow the right EHCP review process and delayed removing Y from the school roll. We found fault with the Council in parts of Mr X's complaint. Some of these faults caused Y and Mr X injustice. The Council agreed to apologise, issue Y's final EHCP within two weeks, refund educational and therapy costs to Mr X, make payment for Y's lost education and make service improvement within its EHCP review processes.

The complaint

1. Mr X says the Council failed to:
 - Review Y's EHCP following the family's move into the Council's area;
 - Ensure all SEP included in Y's EHCP are delivered;
 - Follow the right EHCP review process;
 - Remove Y from the school's roll in a timely manner after parental request.
2. Mr X says the Council's failings caused decline in Y's mental health, self-esteem and increased his anxiety. They had, according to Mr X, negative impact on Y's parents' health and well-being.

The Ombudsman's role and powers

3. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
4. The Ombudsman's view, based on caselaw, is that 'service failure' is an objective, factual question about what happened. A finding of service failure does not imply blame, intent or bad faith on the part of the council involved. There may be circumstances where we conclude service failure has occurred and caused an injustice to the complainant despite the best efforts of the council. This still

amounts to fault and we may recommend a remedy for the injustice caused. (*R (on the application of ER) v CLA (LGO) [2014] EWCA civ 1407*)

5. We cannot investigate complaints about what happens in schools. (*Local Government Act 1974, Schedule 5, paragraph 5(b), as amended*)
6. If we are satisfied with an organisation's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

How I considered this complaint

7. I spoke with Mr X and considered the information he provided.
8. I made enquiries with the Council and considered the information it provided.
9. I reviewed 'Special Educational Needs Code of Practice: 0 to 25 years' (the Code).
10. Mr X and the organisation had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.
11. Under the information sharing agreement between the Local Government and Social Care Ombudsman and the Office for Standards in Education, Children's Services and Skills (Ofsted), we will share this decision with Ofsted.

What I found

Legal and administrative framework

Transfer of EHC plans between councils

12. Where a child or young person moves to another council, the 'old' council must transfer the EHC plan to the 'new' council. The new council must tell the child's parent or the young person, within six weeks of the date of transfer, when it proposes to make an EHC needs assessment. (*Special Educational Needs and Disability Regulations 2014*)

Delivery of special educational provisions

13. The council has a duty to secure special educational provision specified in an EHC plan for the child or young person. (*Children and Families Act S.42*)
14. The Courts have said this duty to arrange provision is owed personally to the child and is non-delegable. This means if a council asks another organisation to make the provision and that organisation fails to do so, the council remains responsible. (*R v London Borough of Harrow ex parte M [1997] ELR 62*), *R v North Tyneside Borough Council [2010] EWCA Civ 135*)
15. The Ombudsman does recognise it is not practical for councils to keep a 'watching brief' on whether schools are providing all the special educational provision for every pupil with an EHC plan. The Ombudsman does consider that councils should be able to demonstrate due diligence in discharging this important legal duty and as a minimum have systems in place to:
 - check the special educational provision is in place when a new or substantially different EHC plan is issued or there is a change in placement;
 - check the provision at least annually via the review process; and
 - investigate complaints or concerns that provision is not in place at any time.

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16. Councils may arrange for any special educational provision that they decided are necessary for a child to be made otherwise than in a school only if they are satisfied it would be inappropriate for the provision to be made in a school. (*Children and Families Act 2014, Schedule 61 paragraphs 1 and 2*)

Education Otherwise than in School

17. Councils must arrange suitable education at school or elsewhere for pupils who are out of school because of exclusion, illness or for other reasons, if they would not receive suitable education without such arrangements. [The provision generally should be full-time unless it is not in the child's interests.] (*Education Act 1996, section 19*). We refer to this as section 19 or alternative education provision.
18. This applies to all children of compulsory school age living in the local council area, whether or not they are on the roll of a school. (*Statutory guidance 'Alternative Provision' January 2013*)
19. The courts have considered the circumstances where the section 19 duty applies. Caselaw has established that a council will have a duty to provide alternative education under section 19 if there is no suitable education available to the child which is "reasonably practicable" for the child to access. The "acid test" is whether educational provision the council has offered is "available and accessible to the child". (*R (on the application of DS) v Wolverhampton City Council 2017*)
20. Councils have a power, but not a duty, to provide support for example funding or therapy at home for children with SEN who are EHE. The SEN Code of Practice states that councils should fund the SEN needs of home-educated children where it is appropriate to do so.

EHCP Reviews

21. The Council's duties on EHCP Annual Reviews are specified in Special Educational Needs and Disability Regulations 2014:
- Councils must review an EHCP at least every 12 months;
 - At least two weeks in advance of the review meetings the advice from the child's parents, school, council's officer, health care professional and social services should be obtained and circulated;
 - Within two weeks of the review meeting the school must provide a report to the council with any recommended amendments;
 - Within four weeks of the meeting, the council must decide whether it will keep the EHCP as it is, amend, or cease to maintain the plan. It must notify the child's parent and the school. If it needs to amend the plan, the council should start the process of amendment without delay;
 - The council must send the proposed amendments with a draft EHCP to the child's parent and give them at least 15 days to give views on them;
 - When the parent suggests changes that the council agrees, it should amend the draft plan and issue the final EHCP as quickly as possible;
 - Where the council does not agree the suggested changes it may still issue the final EHCP;
 - In any event the council should issue a final EHCP to the parent and any school named within 8 weeks of issuing the draft plan. It must also notify the child's parent of their right to appeal to the Tribunal and the time limit for doing so. (*SEND Regulations 2014 regulations 18-22*)

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22. Council may propose to amend an EHCP at any time. It should proceed as if the proposed amendment were an amendment following a review. (*SEND Regulations 2014 regulations 28*)

What happened

Background

23. Y is ten and has a diagnosis of Autistic Spectrum Disorder (ASD) with a sub-category of the Asperger's Syndrome.
24. Before moving to the area of the current council (Council A) in the autumn of 2021, Y's family lived within a different council (Council B).
25. In May 2021, following parental appeal to the First-Tier Tribunal (SENDIST), Council B issued Y's final EHCP, naming the independent non-maintained special school for him in Section I (the School).

September 2021 till the end of May 2022

26. Y started attending the School in September 2021.
27. Council A held two placement review meetings with the School – in November 2021 and March 2022. At both meetings the School told Council A the placement was going well, Y was engaging with learning and there were no issues. Y's rate of attendance at the autumn meeting was reported as almost 95% and at the spring meeting as 100%.
28. At the end of March Y's parents contacted Council A with concerns about suitability of the School. Shortly after this communication they asked whether it would be possible to educate Y otherwise than in school (EOTAS).
29. Y's Case Officer responded at the end of April, suggesting that all parental concerns would be reviewed at the coming up Annual Review meeting, which took place in the beginning of May. At this meeting the attendees discussed:
- Lack of direct Occupational Therapy (OT) for Y;
 - Y's progress and good attendance;
 - Parental concerns:
 - a) Y's dysregulation when leaving the School and the issue of him masking anxiety when at school;
 - b) Lack of direct OT;
 - c) Y's feelings of not being safe when at school;
 - d) Deterioration in the day-to-day communication between the School and the parents;
 - e) Suitability of Y's current peer group and a potential future peer group;
 - f) The School's failing to deliver all SEP included in his EHCP.
30. In the meeting notes Council A recorded its position that no amendments were necessary to Y's EHCP apart from the change to Y's home address and his General Practitioner's (GP) details. It also pointed out Y's EHCP would be transferred to the Council A's format.
31. In the week before May half-term Mr X asked Council A to take Y off the School's roll as it was not suitable. Mr X told Council A Y's peer group behaviour was a continuing source of stress and anxiety for him and the School failed to deliver most of the SEP identified in Y's EHCP. In light of the Clinical Psychologist's

report Mr X did not consider it would be possible to move Y to another school placement immediately, therefore the parents were keen to explore EOTAS with the associated personal budget (PB).

32. Council A replied to Mr X that providing Y with alternative provision as EOTAS would not be an option as alternative provisions should not be used as a permanent placement. Council A indicated it would be looking for another school place for Y and asked Mr X to provide a list of schools which might be parental preference.

June 2022 till August 2022

33. In the beginning of June, after Y stopped attending the school, Mr X wrote to Council A explaining once again why, in his view, the placement in the School broke down. He was not aware of any schools locally which would be suitable for Y. As Council A was discarding an option of EOTAS, Mr X proposed to electively home educate Y asking for PB to cover therapeutic needs. Mr X clarified he was forced by Council A's position to choose this option rather than voluntarily opting for it. Mr X also attached estimates of the OT costs from two properly qualified therapy providers.
34. In June Council A communicated with the School about any education and/or therapy the School could deliver to Y when he was not attending. The School's view, supported by the parental view, was that taking account of Y's school anxiety it would not be in his best interest for the School to be involved in his education any more.
35. In the third week of June the Case Officer asked for the details of Mr X's PB request, to which he replied on the same day. Mr X explained PB would be covering the cost of OT services which were not available through the National Health Service (NHS).
36. In the beginning of July Council A carried out an emergency review for Y. Council A recognised that since the last Annual Review Y struggled to attend the School due to his anxiety. Y's parents told Council A they wanted to amend Section I of Y's EHCP by removing the School and Section F by adding the arrangements to deliver EOTAS. They did not want to amend any other sections of Y's EHCP.
37. During the emergency review meeting Y's parents expressed their views on the EOTAS package and said Y was attending once a week a provider (the Activity Centre), which delivered outdoor learning but no therapy.
38. At the review meeting in the beginning of July Council A issued a letter agreeing to amend Y's EHCP and saying it would aim to issue a final EHCP in the Council A's format within eight weeks.
39. A day after the emergency review meeting Mr X filed his complaint.
40. A day later Council A:
- agreed to take Y off the School's roll and provide EOTAS;
 - agreed to fund OT commissioned by Council A;
 - declined Mr X's request for PB.
41. At the same time Council A sent consultation letters to special schools and alternative providers. For alternative providers Council A set up a shortened timescale to ensure the arrangements are made for Y's start of alternative education from the beginning of the new school year.

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42. Council A received a confirmation of suitability from one alternative provider (Tutoring Agency) who said it would be able to deliver 12 hours of tutoring to Y from the beginning of September.
 43. Two weeks later Mr X escalated his complaint to stage two.
 44. In the mid-August Council A provided Mr X with the proposed amendments to Y's EHCP.
 45. A few days later Council A commissioned Tutoring Agency to deliver education to Y.

From September 2022

46. In the beginning of September Council A sent Mr X its final response to his complaint.
47. In the second week of September Tutoring Agency told Mr X it would be supporting Y when he was not at school. It would arrange a home visit to discuss the tuition plan. First visit at the Tutoring Agency took place in the third week of September.
48. Throughout September and October Mr X and Tutoring Agency exchanged communication about the place of tuition and Y's individual requirements including specialist equipment which would allow him to relax and regulate. Y's parents did not think it was suitable for him to have tuition at home so various alternatives of suitable settings were explored. Council A agreed also to fund the specialist equipment to be bought by Tutoring Agency.
49. At the end of October Council A held a meeting to discuss Mr X's request for PB. Although Council A allocated an OT provider for Y, this provider could not start delivering therapy until the fourth week of January 2023. In such circumstances, as an exception, Council A agreed to fund the OT sourced by the parents but only until the fourth week of January and refunding travel costs at the certain rate.
50. For the first half-term of the autumn term Y continued attending the Activity Centre for five hours once a week.
51. In the second week of November Tutoring Agency sent Mr X a weekly plan of tuition – four days a week for three hours a day. A few days later tutoring started. At the end of November Tutoring Agency advised Y attended seven out of nine sessions.
52. Over a week after starting tutoring Mr X told Tutoring Agency of the increase in Y's anxiety levels and worsening of his mood.
53. In the beginning of December Mr X contacted Council A saying Tutoring Agency is unsuitable for Y.
54. Tutoring Agency continued providing Y with tuition throughout December although Y's attendance was reduced.
55. Meanwhile Council A found a potential placement for Y and contacted Mr X to arrange for the family to visit the school.
56. In the second week of January 2023 Council A agreed to stop its funding for Tutoring Agency. Council A told the parents to identify a suitable tutor for Y as all Council A's options have already been explored.

Education, activities and therapies for Y since June 2022

57. Council A arranged and funded tutoring for Y from mid-November till the end of the autumn term, although after two first weeks Y's attendance decreased.

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58. Council A paid invoices for the OT arranged by Mr X till the end of December 2022. Mr X told me Council A had recently revised its position on the OT and confirmed it would continue funding privately arranged OT until March 2023 when it will commission a new, more local provider.
59. To ensure Y received some education and therapeutic provision, Mr X arranged and funded some activities and therapies for him, which included sessions in the Activity Centre, counselling sessions, climbing and drumming lessons. He also bought workbooks, stationery, fidget and regulation equipment and a subscription to an educational website.

Analysis

Taking off the School's roll

60. I do not consider Council A failed by not taking Y off the School's roll until the beginning of July 2022.
61. Before taking a child off a school's roll councils need to be satisfied this school is not suitable and once this is established the normal process would involve identifying and naming a different placement. Similarly, when agreeing to deliver SEP outside school, councils need to be satisfied it would be inappropriate for the provision to be made in any school. This is a high threshold for a decision which, depending on the individual circumstances, might take some time to reach.
62. The first time Mr X queried suitability of the School for Y was in his correspondence with Council A at the end of March 2022. This matter was explored further during the Annual Review meeting in May. The School did not have any concerns about Y's progress and engagement with education. This position was supported by his regular attendance. Although the lack of a direct OT for Y was raised, the review attendees discussed how this could be remedied. Later in the month the School told the parents the current OT was retiring at the end of the school year. It would not be in Y's best interest to start therapy before summer holidays, as in September he would have to get used to a new therapist.
63. In their correspondence in the fourth week of May parents told Council A of the increase of Y's anxiety and stress which prompted them to withdraw him from the School. It is justifiable that with the history of no concerns reported from the School, Council A would be reluctant to immediately take Y off the roll. Instead, it first considered a possibility of the School providing education and SEP to Y when he was staying at home. Council A eventually accepted it would not be in Y's best interest to have any further contact with the School and shortly afterwards undertook school consultations, trying to identify an alternative placement.
64. It took Council A just under five weeks to decide on taking Y off the School's roll from the day Y stopped attending, excluding a half-term. This cannot be seen as excessive in light of the earlier placement reviews, the recent Annual Review as well as the gravity of such decision.
65. Council A's decision on Y remaining on roll in the School had the following results:
- Suitability of the School could be explored;
 - The School could be held responsible for arranging to provide education for Y;
66. Y remaining on the School's roll did not, however, affect any of Council A's duties about provision of education, as explained under paragraph 18 of this decision.

Transfer of EHC plans between councils

67. As explained under paragraph 12 of this decision, Council A should have advised Mr X within six weeks from the EHCP transfer when it intended to make an EHC needs assessment for Y. Failing to do so by Council A is fault.
68. I do not, however, consider this fault caused any injustice to Y or his parents for the following reasons:
- Y's EHCP was finalised in May 2021, following an appeal to SENDIST;
 - During the telephone conversation Mr X told me the content of Y's EHCP accurately reflected his needs. Provisions identified as needed by Y were based on the recent professional reports;
 - At the reviews in May 2022 and July 2022 Y's parents did not propose any amendments to Y's needs; the only request for amendments in July 2022 was to remove the School from Section I and include an EOTAS package in Section F;
 - Council A carried out two placement reviews during which the School raised no concerns about Y's EHCP.
69. For the reasons above even if Council A had carried out an assessment of Y's needs following the transfer from Council B, the content of his EHCP was likely to have remained the same as in the one issued in May 2021. Council A's failing, therefore, did not have a negative impact on Y and/or his parents.

Education and delivery of special educational provisions

70. The evidence available for this complaint and in particular the records of two placement reviews carried out in November 2021 and March 2022 satisfy the requirement of Council A to oversee the child's progress and delivery of SEP.
71. SENDIST ordered to name an independent, non-maintained school for Y, which he started attending in September 2021. For the Tribunal to do so the School must have presented evidence it had staff and resources suitable to meet Y's needs. If at the placement reviews the School failed to report any problems with SEP, on the contrary, reported Y's progress and that he was engaging with learning, Council A had no reasons to query it.
72. Thus until May 2022 I find Council A cannot be held responsible for the failings to deliver some of the SEP identified in Y's EHCP as it complied with the monitoring requirement detailed under paragraph 15 of this decision.
73. From the Annual Review in May 2022 Council A was aware of the School's failing to deliver all SEP to Y. Because of Y's difficulties with forming relationships it was agreed it would not be in his best interest to start the OT sessions in May with the professional who was about to retire at the end of the school year.
74. Despite its many efforts, which are detailed in this decision, Council A **failed to provide Y with suitable education and deliver all SEP included in Y's EHCP** in the following months:
- June to July 2022;
 - September to mid-November 2022;
 - From the beginning of January 2023 until now;
75. In May 2022 and from mid-November to the end of December 2022 Y received education but not all of his SEP.

-
76. Recognising Council A's efforts to comply with its legal duties I consider its failings amount to **service failure** rather than maladministration for the following reasons:
- In May Council A tried to remedy the lack of direct OT sessions for Y, but with the school therapist retiring at the end of the school year all agreed starting this provision then was not in Y's best interest;
 - In June Council A communicated with the School about sending some learning materials home for Y. Y's parents and the School did not consider it was in Y's best interest because of his school anxiety;
 - In July Council A contacted over 90 alternative providers and consulted with over 20 special schools;
 - From the beginning of September 2022 Council A had a suitable alternative provider assigned for Y but because of the specific circumstances of the case such as Y's requirement to have tuition delivered away from home and the need for a specialist sporting equipment (both agreed by Council A), the start of the tuition got delayed.
77. Y's parents arranged the OT and counselling sessions to support his physical and sensory as well as social, emotional and mental health needs in line with his EHCP. Although Council A refused their request for PB, Mr X said it has now paid the OT invoices till the end of December 2022 and agreed to fund Y's OT arranged by the parents till March 2023 when the OT commissioned by Council A will be able to deliver therapy to Y.
78. Council A's faults caused **injustice** to:
- Y - loss of education, deterioration of his mental health, self-esteem and increase of anxiety;
 - Mr X - impact on his health and well-being, negative financial consequences.

Reviews

79. There are certain EHCP review functions which councils can delegate to schools. As explained in the Code when a child attends school reviews are generally most effective when led by the educational institution. The local authority in which area the child lives remains, however, responsible for the whole process.
80. In relation to the independent schools councils have much less power when exercising their educational functions including those under the special educational needs legislation.
81. Any school failings within Y's reviews would be outside our jurisdiction.
82. However, even when EHCP review meetings are held by the school, the council must:
- Within four weeks of the review meeting decide whether it proposes to keep the EHCP as it is, amend it or cease to maintain it and notify the child's parents and the school;
 - If the plan needs to be amended to start a process without delay and issue a final EHCP within eight weeks from the date of sending proposed amendments.
83. After the Annual Review in May 2022 Council A failed to send out a letter with its plan to keep Y's EHCP without any amendments, apart from Y's address and the details of his GP. It also failed to fulfil its undertaking to send Y's EHCP with these

minor amendments. Although this is fault, I do not consider it caused any injustice to Y and/or his parents as Council A carried out another review shortly afterwards.

84. After the EHCP review carried out in July 2022, Council A should have issued a final EHCP within eight weeks from mid-August when it sent the proposed amendments to the parents. Mr X told me he has not yet received Y's final EHCP.
85. **Council A's failing to issue a final EHCP for Y by mid-October 2022 is fault.** This fault caused **injustice** to Y and his parents, as it deprived them of the opportunity to challenge Council A's position on the content of Section F. Mr X wanted the EOTAS package to be included in Section F of Y's EHCP which Council A did not include in its proposed amendments.

Agreed action

86. To remedy the injustice caused by the faults identified, we recommend the Council within two weeks of the final decision will issue Y's final Education, Health and Care Plan following the review in July 2022 and send it to Mr X with the advice on his appeal rights. The Council will provide us with the evidence it has happened.
87. We also recommend the Council complete within four weeks of the final decision the following:
- apologise to Mr X for the injustice caused to him and Y by the faults identified;
 - pay Mr X £300 a month to recognise Y's loss of education and special educational provisions from June 2022 till the middle of January 2023, excluding holidays and the autumn half-term as well as a part of the second half-term when Y received tutoring. The total the Council should pay is £1,350 for the period of four and a half months;
 - pay Mr X £1,747 to refund the Activity Centre and counselling sessions as well as stationery and equipment necessary to provide Y with education at home or by the tutors;
 - pay Mr X £300 to recognise the distress caused to him by the Council's failing to secure education and SEP for Y and to issue a final EHCP following the EHCP review in July 2022;

The Council should provide us with evidence it has complied with the above actions.

88. We recommend the Council within three months of the final decision review its EHCP review process and provide relevant training to the front-line staff and their managers to ensure:
- Sending post-review letters within four weeks from the review meeting, notifying of the Council's position and advising parents/young people of their appeal rights when required, are part of the review process;
 - Final EHC plans are always issued within eight weeks from the date of the Council sending proposed EHCP amendments to the parents/young people;

The Council will provide us with the evidence the above action has been completed.

Final decision

89. I uphold part of this complaint. I found fault with the provision of education and delivery of special educational provisions for Y as well as within the Council's EHCP review processes. The Council's fault caused injustice to Y and Mr X. The Council has accepted my recommendations, so this investigation is at an end.

Investigator's final decision on behalf of the Ombudsman

The Ombudsman's final decision

Summary: The Council is not at fault for Mrs D's initial move to a care home. The Council is at fault however for failing to properly consider whether it was in her best interests to remain at the care home. To remedy the complaint the Council should pay Mr C money in recognition of the uncertainty its actions have caused him. It should also remind staff about how and when to complete best interest decisions.

The complaint

1. The complainant who I call Mr C complains the Council moved his late mother, who I call Mrs D, without his knowledge, without considering more cost effective options, NHS Continuing Healthcare, and her best interests.
2. Mr C does not consider his mother's estate should be liable for all the outstanding care fees as Mrs D was not in a care home of her choice or liking.

The Ombudsman's role and powers

3. We investigate complaints of injustice caused by 'maladministration' and 'service failure'. I have used the word fault to refer to these. We consider whether there was fault in the way an organisation made its decision. If there was no fault in the decision making, we cannot question the outcome. (*Local Government Act 1974, section 34(3), as amended*)
4. If we are satisfied with an organisation's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

How I considered this complaint

5. I spoke with Mr C and considered written information he provided. I made enquiries of the Council and considered its response. This included:-
 - Care Act 2014 and the associated Care and Support Statutory Guidance;
 - Council's safeguarding investigation and communication records.
6. Mr C and the Council had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

What I found

Background information

7. Mrs D was living independently in the community. Mrs D went into hospital and then into care home, X, for a social care assessment. COVID-19 funds paid for this stay.

What should have happened

Making decisions and the Mental Capacity Act 2005

8. The Mental Capacity Act 2005 is the framework for acting and deciding for people who lack the mental capacity to make particular decisions for themselves. The Act (and the Code of Practice 2007) describes the steps a person should take when dealing with someone who may lack capacity to make decisions for themselves.
9. A key principle of the Mental Capacity Act 2005 is that any act done for, or any decision made on behalf of a person who lacks capacity must be in that person's best interests. The term 'best interests' is not defined in the Act, however it does set out a checklist of common factors that must always be considered:
 - the person's past and present wishes and feelings (and, in particular, any relevant written statement made by her/him when he had capacity);
 - the beliefs and values that would be likely to influence her/his decision if he/she had capacity; and
 - the other factors that he would be likely to consider if he/she were able to do so.
10. Councils must, if it is practicable and appropriate, consult them and:-
 - anyone named by the person as someone to be consulted on the matter in question;
 - or anyone engaged in caring for the person or interested in his welfare.

Deprivation of Liberty Safeguards

11. The Deprivation of Liberty Safeguards (DoLS) provide protection for people who lack the capacity to decide about their accommodation. When an authorisation is granted the best interests assessor will be able, in most cases, to recommend a family member or friend to act as the Relevant Person's Representative (RPR). The RPR must have the necessary skills to represent the person properly. If not the supervisory body can appoint a paid RPR.

Paying for care

12. Where a council arranges care and support to meet a person's needs, it may charge the adult, except where the council must arrange care and support free. If the person lives in a care home and has over £23,250 capital, known as the upper capital limit, they must pay the full costs of their care. This includes property capital.
13. A council can disregard a person's property under some circumstances. These include if the property is occupied by a relative who is aged 60 or over or is incapacitated. In these cases, it must be the relative's main residence and they must have lived there in the time prior to the person going into a care home.

NHS Continuing Healthcare Assessments

14. NHS CHC is a package of ongoing care arranged and funded solely by the NHS where the individual has [Page 26 of 160](#) have a 'primary health need' as set out in

the National Framework for NHS Continuing Healthcare and NHS-Funded Nursing Care.

What happened

15. Due to Mrs D's behaviour X could not continue to care for her. Mr C told the Council Mrs D had previously stayed at care home, Z, and was a preferred choice as Mrs D's ex long term partner lived at Z. The Council considered a move to Z, but Z had a COVID-19 outbreak and was not taking new residents. It also appears Mrs D had COVID-19 at the time. Mrs D needed a care home urgently, so had to move.
16. The Council moved Mrs D to Y as it had a vacancy and could meet Mrs D's needs. Mr C says he was not part of the decision making process as he was in hospital at the time. The Council notes on 22 May 2020, "Telephone call to son to confirm that *Mrs D* will be going to Y. *Mr C* said that he will be having surgery tomorrow so will be unable to offer his Mum any support for several weeks."
17. Mrs D moved into Y the next day and COVID-19 funding continued. In June Mr C raised concerns about Mrs D having frequent falls at Y. The Council opened a safeguarding referral.
18. Over the next couple of months there was further assessment from the Council about whether Mrs D could return home with a package of care. This was Mr C's preferred choice. On 11 July 2020 the Council completed a Deprivation of Liberties Safeguarding (DoLS) assessment and decided it was in Mrs D's best interests to remain living in a care home. The DoLS assessor sought Mr C's views at the time who agreed with the decision. Mr C also agreed to be Mrs D's Relevant Person's Representative (RPR). The authorisation was made until 23 November 2020.
19. The Council reviewed the DoLS authorisation in October 2020. The assessor felt at this point Mrs D would benefit from a paid RPR. This was because Mrs D was saying she wanted to go home and therefore needed someone with specialist knowledge to represent her. The records say, "*Mr C* acknowledged and agreed to the recommendation of an independent advocate to support his mother through her objections".
20. In January 2021 Mr C complained to the Council that he had not been able to see Mrs D since June 2020. He wanted Mrs D to move to Z where her ex-partner lived. He felt Z provided better quality of care, they were allowing family visits, and £500 a month less expensive. Mr C also felt Y was not providing Mrs D with the one to one care she needed. Nor was it co-operating with him in completing Court of Protection paperwork. The Council agreed to complete a review of Mrs D's needs. This coincided with a safeguarding investigation about an alleged physical assault on Mrs D the previous year.
21. On 18 February 2021 Mr C contacted the Council to say Z had a vacancy and he wanted to move Mrs D by the end of the following week. He had visited Y that day and said the staff's behaviour was unacceptable. The Council contacted Z who said it could take Mrs D and could meet her needs.
22. Y told the Council it had a 28 day notice period. Y told the Council it should complete a best interest assessment to decide whether it was in Mrs D's best interests to move care home. The Council completed a best interest assessment on 22 February 2021. Mr C was present for part of the meeting but left early.

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23. The Council records Mr C left early because of a “lack of appreciation that the pandemic was mostly contributing to the dissatisfaction of the care and support provided to his mother”. Mr C says he told the Council at the meeting he wanted to move his mother.
24. The Council reached the decision that it was in Mrs D’s best interests to stay at Y for the following reasons:-
- Mrs D was at an advanced stage of dementia and transferring her to another care home might impact on her health and wellbeing;
 - Y had employed a new care home manager and most of the issues raised were related to the previous manager.
25. On 2 March 2021 Y completed a yearly review of Mrs D’s health needs and did not identify a need for NHS CHC.
26. The Council agreed a further DoLS authorisation on 24 May 2021. The DoLS assessor again sought the views of Mr C. He expressed his dissatisfaction at the care provided by Y, but agreed it was in Mrs D’s best interest to remain living there. At this point the Council reinstated Mr C as RPR as it considered he could represent Mrs D’s views properly. On 21 January 2022 Mrs D met the criteria for fully funded nursing care.
27. Mrs D has now passed away and over £41,000 of fees remain outstanding. Mr C says his daughter was living in the property before Mrs D went into hospital and the Council should disregard the value of Mrs D’s property in the financial assessment. He also says had Mrs D moved to Z she would have saved £500 per month in fees and received better care. Mr C says the Council should take this into account and reduce the outstanding balance accordingly.

Is there fault causing injustice?

Move to X

28. The Council is not at fault for failing to tell Mr C about a move to Y. There is a clear record that it discussed this with him. While I understand Mr C disputes this, I cannot on balance say the Council did not have a conversation with Mr C as this is recorded.

Move to Z

29. The Council is not at fault for not initially moving Mrs D to Z. Z had an outbreak of COVID-19 which prevented it from taking new residents.
30. Following safeguarding concerns and issues Mr C raised about Mrs D’s care; the Council completed a best interest assessment about whether Mrs D should remain at Y. I consider there was fault in the way the Council made this decision. This is because the assessor based their decision on Mrs D’s advanced dementia. However there was no analysis about how her dementia would be affected by a move and whether there were any positives about a move to Z. There was no consideration of Mrs D’s past feelings and wishes or other specific factors relevant to her as set out at paragraph 9 above.
31. The best interest meeting was to decide whether it was in Mrs D’s best interest to move to Z. However the assessor’s focus was on the care Mrs D received at Y. While this may have been part of the decision making, the Council has not clearly evidenced why it was in Mrs D’s best interests to remain at Y.
32. Mrs D has passed away and the Council cannot now complete a best interest assessment. Due to the lack of information I am unable to say on balance, but for

the faults identified, Mrs D would have moved to Z. Mr C does however have the uncertainty of not knowing whether, had the Council acted properly it would have reached a different decision.

Changes in the RPR

33. There is no fault in the way the Council made changes to the RPR. For a short period of time the Council considered Mrs D needed a skilled paid RPR which it obtained. This was a professional judgement made at the time. The Ombudsman cannot challenge the merits of a properly made decision.
34. The Council records it told Mr C of the decision explaining its reasons. There is no record of Mr C objecting at the time. Although not in the DoLS procedures the Council may in future want to consider confirming major changes in writing.

Failing to apply a property disregard and applying for NHS Continuing Health Care

35. I find no fault in the Council not applying a property disregard to Mrs D property as part of the financial assessment. The Council was not aware Mrs D's granddaughter was living at the property at the time of the financial assessment. Mr C can provide supporting information to the Council now if he believes the property disregard criteria are met.
36. Mr C complains the Council should have reviewed eligibility for NHS CHC for Mrs D. There is nothing to suggest the Council was aware about Mrs D's need for NHS CHC or due to review the placement. It appears Y took action to fast track an application in January 2022. If Mr C considers Mrs D would have been eligible earlier he can make a retrospective application.

Agreed action

37. I consider there was fault in the Council's actions which have caused Mr C and Mrs D injustice. Mrs D has now died, and I cannot remedy her personal injustice. The agreed actions are therefore to remedy Mr C's injustice and to improve future practice:-
38. within one month of the final decision the Council should:-
- apologise to Mr C and pay him £300 in recognition of the time, trouble and uncertainty the Council's failures have caused him.
39. within three months of the final decision:-
- remind staff, and if necessary provide training about completing and recording best interest decisions especially when there are several parties with competing interests.
40. The Council should provide us with evidence it has complied with the above actions.

Final decision

41. I have found fault in the Council's actions which has caused Mr C and Mrs D injustice. I consider the agreed actions above are suitable to remedy the complaint. I have completed my investigation and closed the complaint on this basis.

Investigator's decision on behalf of the Ombudsman

22 March 2023**Agenda Item: 5****REPORT OF THE SERVICE DIRECTOR, AGEING WELL AND SERVICE
IMPROVEMENT****RESPONSE LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN
DECISIONS JUNE 2022 TO AUGUST 2022****Purpose of the Report**

1. The purpose of this report is to provide an update on the improvements made in Adult Care Financial Services (ACFS) in response to the Corporate review of complaints and the departmental review undertaken with the service.

Information**Root cause analysis of Local Government and Social Care Ombudsman complaints**

2. A corporate review of complaints was requested through the Governance and Ethics Committee Chairman following consideration of complaints reviewed by the Local Government and Social Care Ombudsman's (LGSCO), the findings of which were presented to the Committee. Members wanted an analysis of the root cause of complaints to identify learning and recommendations to prevent repeated occurrences and assurance that the actions that had been proposed by departments to address complaints had been taken on board and implemented.
3. Between July and October 2022, Adult Social Care and Health (ASCH) have worked in collaboration with internal audit to identify the root causes of problems, including wider related issues to help identify suitable courses of action to be taken to resolve them. The root cause analysis has encompassed complaints made in the 6 months prior to or during the period of the ACFS diagnostic where financial matters were a feature.
4. Of complaints regarding communications, the highest proportion, 48% are linked to financial assessments and confirmation of contributions, so this is where improvement work was prioritised.

5. ACFS provide a key role in enabling the Council to meet people's care and support needs. The service work within complex national legislation that underpins assessment and review of the financial contributions that people should make towards the costs of their care.
6. Opportunities to improve the service had previously been identified and an independent review of the different functions of ACFS was already underway, covering policy, practice, communications, workforce, operating model / structure and the potential benefits of digital opportunities to make more effective use of the services resources.
7. The review focused on all aspects of ACFS and the interfaces with other teams and services within the Council. The review commenced on 9th May 2022 and the diagnostic was completed on 30th September 2022. The approach to the review included:
 - listening conversations with the workforce responsible for delivering services
 - root cause analysis of complaints in collaboration with internal audit
 - root cause analysis of Local Government Ombudsman complaints
 - analysis of waivers
 - secondary analysis of direct payment audits
 - workforce modelling as part of the Social Care Reform workstreams

Findings of the root cause analysis of complaints

8. Delays, disputes, recurring issues, cause frustration and anxiety. These factors are key drivers of complaints, with the majority related to delays in the completion of financial assessments and confirmation of financial contributions.
9. Communication was noted as a key driver of complaints by the Governance and Ethics Committee. This, along with Case management and Quality Assurance are recurring themes within complaints.
10. In relation to communication the following were noted as drivers of complaints and were also given as examples by people with lived experience, including carers, of how communications could be improved:
 - Tone
 - Clarity
 - Opportunity to talk to someone
 - Capacity of the person to resolve the issues
 - Context of correspondence
 - Acknowledgement of correspondence
 - Persistence
 - Accessibility of written information

Initial response to the root cause analysis of complaints

11. The initial priority was to improve the financial assessment process to reduce the time it takes to complete a financial assessment and inform people about the contribution they need to make. In this context the Council has procured the BetterCare Finance web-based financial assessment application which has been developed by Kirklees Council. The application will reduce administrative tasks, simplifying the annual review and uplift process and free up staff time to support people who need assistance to complete the assessment and discussion on

more complex issues such as Disability Related Expenditure. In turn this will help the Council to meet the current and future demand from people requiring a financial assessment and allow more assistance to be provided to people.

12. The Council also procured the benefit maximisation tool as an addition to the web-based financial assessment application so that people completing a financial assessment to identify what financial support they are eligible for in paying for the cost of their care and support will also be able to ensure they are accessing all their benefit entitlements and that their Disability Related Expenditure is considered.
13. Mobilisation commenced in September 2022 and the web-based financial assessment application will go live on the 1st April 2023. Following go live the application will be utilised for all new financial assessments. People who have previously had a financial assessment and who are entitled to care and support will be set up on the application as part of the 2022/23 annual review process.

Co-production

14. A task and finish group was established to support the review made up of people with lived experience including carers. This group is called Improving ACFS for the Public and has been instrumental in shaping the approach and the subsequent actions to deliver improvement.
15. Members of the task and finish group are co-producing the forms within the web-based financial assessment application and supporting testing. The group also work together on guidance etc
16. In addition, members of the task and finish group developed a set of Communication Commitments which will be re-enforced through a series of guides and tip sheets for staff. Delivery will be monitored through the Quality Assurance Framework which will go live on 25th July 2023.

Communication Commitments

- Be open and honest and acknowledge mistakes and issues.
 - Don't give up if you don't get an answer when you (the Council) call and leave a clear, simple message with your name and contact details.
 - Acknowledge receipt of contacts / email and calls and give a timeframe for providing a response.
 - Confirm receipt of information for example information provided for annual audits and disability related expenditure and communicate the outcome.
 - Ensure all standard letters and forms are in line with Nottinghamshire County Council policy and in plain English.
 - Ensure that telephone, email, and website communications are equally clear, use plain English and are available in other languages and formats.
 - Include a covering letter with Remittances, detailing / explaining reasons for any changes to figures.
 - Provide support to resolve queries outside of 9 a.m. – 5 p.m. Monday to Friday.
17. Principles on tone of voice, framing and style have been developed drawing on the work across the department relating to strengths-based approaches. These have been utilised to change a standard letter for each area of the service to serve as good examples in reviewing

the remaining 75 letters. This will be completed, in collaboration with the people with lived experience including carers by 30th May 2023.

18. The principles and examples given by people with lived experience including carers about what needs to change will also inform several short guides and tip sheets for staff. These have been completed for Caring Conversations, Strengths Based Communication and Learning from People with Lived Experienced. These will complement induction of staff into the new operating model.

Measuring impact

19. A 28-day practice standard for completion of financial assessments will be used to measure the impact of the changes set out in paragraphs 11 – 14. Improvement will be tracked from the 58-day baseline following go live and the completion of a re-structure which will improve capacity in this area.
20. Increased assessment of disability related expenditure will be used to measure the impact of the changes set out in paragraph 19.
21. The impact of the work relating to communications will be measured through Listening Conversations, dip sampling of phone calls, observation of practice. This will be collated and analysed between October - November 2023.

Proposed work programme to address the issues identified in the root cause analysis

22. In addition to the delay in the completion of financial assessment / communication of contribution the most common causal factors of complaints were:
- management / administrative burden of Direct Payments
 - over reliance on manual tasks
 - processes / practice that are not person centred
 - workforce capacity
 - transactional operating model

ASCH Senior Leadership Team has put in place the a work programme to address these issues during 2023 through modernising the approach to direct payments and simplifying the approach to charging for meals and transport, develop a digital roadmap aligned to the Council's digital strategy which builds on the improvements made to financial assessments so that time is released for staff to focus on more complex situations and review how the team operates to best deliver the new ways of working.

Statutory and Policy Implications

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

Data Protection and Information Governance

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

Financial Implications

25. There are no direct financial implications arising from this report.

Implications for Service Users

26. All of the complaints were made to the Council's through its own complaint process. Service users, have the right to approach the LGSCO once they have been through the Council's own complaint process.

RECOMMENDATIONS

- 1) That members note the improvements delivered in response to the findings of the Local Government and Social Care Ombudsman and the actions planned in response to the findings.
- 2) That the Committee receive a further report in 12 months' time to review the impact of the measures introduced as a result of the review.

Sue Batty

Service Director, Community Services, Ageing Well and Service Improvement

For any enquiries about this report please contact:

Rachel Egan

Independent Consultant

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Constitutional Comments (HD (Standing))

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

Financial Comments (LCD 28/02/23)

28. There are no direct financial implications arising from this report. Any specific changes that are proposed as a result of the programme of work will be covered in future papers for ASCH SLT approval.

Background Papers and Published Documents

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

Electoral Division(s) and Member(s) Affected

All.

22 March 2023**Agenda Item: 6****REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE
AND IMPROVEMENT****STATEMENT OF ACCOUNTS 2021/22****Purpose of the Report**

1. To note the external auditors' Audit Findings Report 2021/22.

Statement of Accounts 2021/22

2. The deadline for publishing the draft Statement of Accounts 2021/22 was 31 July 2022. Nottinghamshire County Council's and Nottinghamshire Pension Fund's Statement of Accounts 2021/22 were published onto the Council's website on 5 July 2022, well ahead of the deadline.
3. As reported to Governance and Ethics Committee in July 2022, issues surrounding the accounting treatment of infrastructure assets led to the delay in signing off a number of Local Authority accounts in 2021/22. Following consultation with Local Authorities, CIPFA have published an amendment to the Local Authority Accounting Code of Practice which provides a short-term solution to this issue which will apply until the end of the 2024/25 financial reporting year. Work will continue to agree a longer-term solution which, it is anticipated, will be in place from 2025/26 onwards.
4. The infrastructure asset issue, alongside more widely acknowledged difficulties that are being experienced by the Local Authority audit sector, resulted in the Authority's Statement of Accounts not being able to be approved by the target date of 30 November 2022.
5. The issues outlined above resulted in the 2021/22 audit not being finalised by the target date of 30 November 2022. At the Governance and Ethics Committee meeting held on 30 November 2022 approval was delegated to the Section 151 Officer, in consultation with the Chair of Governance and Ethics Committee, to approve the Statement of Accounts 2021/22 on completion of all external audit work. The Statement of Accounts have now been approved and published on the Council's website. The Chairman and S151 Officer have signed the Statement of Approval and the letters of representation.

Audit Results

6. The statutory audit of the Statement of Accounts 2021/22 has been undertaken by Grant Thornton. The Audit Findings Reports 2021/22 for both the County Council and the Pension Fund have been completed and can be seen in the appendices to this report. It is expected

that Andrew Smith (Director – Grant Thornton) will talk through the report and take any questions at this meeting.

7. The statement of accounts is one of the key documents prepared by the Council to demonstrate good governance and value for money. This provides information about the County Council's financial position, performance and cash flows and consequently, shows the results of the stewardship and accountability of elected members and management for the resources entrusted to them, which is of paramount importance in the use of public funds.

Statutory and Policy Implications

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

RECOMMENDATION/S

9. That the Committee notes the external auditors' Audit Findings Report 2021/22.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Nigel Stevenson

Service Director (Finance, Infrastructure and Improvement)

Constitutional Comments (KK 28/02/2023)

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

Background Papers

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

None

Electoral Division(s) and Member(s) Affected

All

The Audit Findings for Nottinghamshire County Council

Year ended 31 March 2022

22 March 2023



Contents



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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. Its contents have been discussed with management.

Andrew Smith

Andrew Smith

For Grant Thornton UK LLP

22 March 2023

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's 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 2022- February 2023.

Our findings are summarised on pages 7 to 23. We have identified seven adjusted misstatements to the financial statements that have resulted in an increase of £5.240m to the net expenditure reported in the Comprehensive Income and Expenditure Statement (CIES). We have also identified three unadjusted misstatements, which have an opposing net impact on the CIES – a decrease of £5.851m to net expenditure. Our work on creditors testing is still underway and these totals may change as a result.

We identified several disclosure and presentational issues – some of which have been adjusted by management and some which have not. Adjusted and unadjusted audit misstatements are detailed in Appendix C.

We have raised five new recommendations for management as a result of our audit work in Appendix A.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B. We note that of the four recommendations previously raised: two have been fully implemented; one has been partially implemented; and one has not yet been implemented.

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

- resolution of final queries on creditors sample testing.
- resolution of final queries on payroll reconciling item testing.
- receipt of signed management representation letter – see appendix F; 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.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

Whilst well progressed, we have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report at this time. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 3 May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial planning (medium term financial sustainability) as reported in our Audit Plan on 9 June 2022. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in May 2023.

Significant Matters

The audit has taken much longer to reach completion stage than in previous years. This is due to a combination of factors including:

- late resolution of a national issue in the accounting for infrastructure assets;
- increased complexity of Local Government Accounts; and
- increased regulator focus on audit quality across the board and in specific very complex estimates including the valuation of property, plant and equipment. In particular, finance teams and property valuers are less equipped than ever to handle the increased level of audit scrutiny and challenge demanded by the audit regulator.
- Auditors are also having to adapt quickly to new ways of conducting audits remotely to match the way many Councils are operating.

We aim to hold regular 2022/23 work closely with the Council to identify areas of improvement in time for the 2022/23 audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed the Governance and Ethics Committee at its meeting on 22 March 2023.

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 Governance and Ethics Committee meeting on 22 March 2023, as detailed in Appendix E. These outstanding items include:

- resolution of final queries on creditors sample testing.
- resolution of final queries on payroll reconciling item testing.
- receipt of signed management representation letter – see appendix F; 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. As highlighted on the previous page, and as detailed in our report: both your finance team and our audit team faced audit challenges again this year. This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. The audit has been a long process and we extend special thanks to the finance team for their perseverance and resilience in handling the increased volume of audit queries.

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 9 June 2022. We detail in the table below our determination of materiality for Nottinghamshire County Council.



Amount (£'000) Qualitative factors considered

Materiality for the financial statements	18,500	We determined materiality for the audit of the Council's financial statements as a whole to be £18.5m in our audit plan which equated to approximately 1.5% of the Council's 2020-21 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	12,950	<p>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:</p> <ul style="list-style-type: none">• We are not aware of a history of significant deficiencies in the control environment.• There has not historically been a large number of significant misstatements arising.• Senior management and key reporting personnel have remained stable from the prior year audit.
Trivial matters	925	Triviality is the threshold at which we will communicate misstatements to the Governance and Ethics Committee.
Materiality for senior officer remuneration disclosures	20	Lower materiality applied to senior officer remuneration disclosures due to heightened public interest in this area of the accounts.

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2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Fraud in revenue recognition (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Nottinghamshire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Nottinghamshire County Council.</p>	<p>No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands.</p>
<p>Fraud in expenditure recognition – Practice Note 10 (rebutted)</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>We have considered this risk for the Council and have determined it to be appropriate to rebut this risk based on limited incentive and opportunity to manipulate expenditure.</p>	<p>No changes noted from the risk assessment performed at the audit planning stage. Our rebuttal of the risk therefore stands.</p>

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
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness
- 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 two issues which we consider to be control deficiencies in the journal entry process. These relate to:

- the ability of senior finance officers' ability to post journals; and
- a user's ability to both post and approve their own journal.

Upon further investigation this year we confirmed with management that the ability for senior officers to post journals was removed in 2018. We did not identify any instances of senior officers posting journals in the year.

We confirmed that users were still able to post and approve their own journal during 2021/22. We did note some mitigation to the risk because management have strengthened 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 B.

Due to this matter existing we performed focused testing. We noted four instances of self-approved journals in 2021/22. These were individually and cumulatively not material by value. We tested each with no matters to report.

No issues have been identified as a result of our journals work to address the significant risk of management override of control, in addition to this, we have concluded that there are no indications of management bias in estimates included in the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings, surplus assets and investment property (value £808.9m – prior year £770.5m) – *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 and investment properties is complete and we have the following matters to report to you.

Assets not revalued in year – The CIPFA Code requires that revaluations of other land and buildings and surplus assets are scheduled sufficiently regularly so that the carrying value of the assets are not materially different to their current value. The Council adopts a rolling 5-year programme of valuations. To assess whether a material difference may exist, the Council ask the professional valuer to provide an opinion. We corroborate this opinion by forming an expectation of current values using published market indices. This year we identified a potential material difference in the carrying values of assets not revalued in year. Management (in conjunction with the valuer) agreed and five further valuations were carried out to ensure the rolling programme issue was no longer material. The assets revalued moved from a value of £29.036m to £27.955m (a £1.081m decrease). Management adjusted the accounts for these valuations for in the PPE balance and supporting disclosure note. Refer to Appendix C.

Also refer to the detailed assessment of the estimation process as described on pages 14-16 of the report

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability- (value £1,317.0m – prior year £1,524.7m)

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 and we have the following matters to report to you.

We were informed by the auditor of the Pension Fund of two audit findings relating to an understatement of fund assets which impacted the Council's share of net assets by £14.97m. The two issues were: 1) the auditor found that the actuary had not been notified of a balance of investments held by the Fund so consequently these assets weren't included in the actuary's report; 2) timing differences impacting the valuation of pension assets.

Management have been advised by the Pension Fund finance team the adjustment required is £13.258m. Management have amended the net pension liability and note 21 in the accounts, by increasing the valuation of their equities by £13.258m. This is reported as an adjusted misstatement in Appendix C.

This leaves a further maximum potential overstatement of £1.712m of the Total Net Pensions Liability. This being the difference between the amount advised to us by the Pension Fund auditor and the amount advised to the Council by the Pension Fund. This is reported as an unadjusted misstatement in Appendix C.

Also refer to the detailed assessment of the estimation process as described on page 17 of the report

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2. Financial Statements - Other risks

Risks identified in our Audit Plan

Value of Infrastructure assets (value £651.5m – prior year £599.1m) and the presentation of the gross cost and accumulated depreciation in the PPE note

Infrastructure assets include roads, bridges, highways and streetlighting. Each year the Council spends circa £35m on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £599m which is over 32 times materiality.

In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:

The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.

These two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.

Commentary

On 29 November 2022, CIPFA issued a Code update which removes the requirement for the disclosure of gross cost and gross accumulated depreciation for infrastructure assets. On 30 November, the Department of Levelling Up, Housing and Communities issued an update to the Capital Finance and Accounting Regulations for England under Statutory Instrument (SI). The SI included two key elements:

- A local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets
- Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code.

The majority of the initial risks we identified in relation to infrastructure asset balances and disclosures have been resolved following the issue of the CIPFA Code update and the new SI issued under the Capital Finance and Accounting Regulations which the authority have decided to adopt, (as outlined above).

As a result, the only inherent risk that required further consideration related to the risk of material misstatement of the Net Book Value of infrastructure assets due to under/overstatement of the depreciation charge for the year due to the application of unreasonable asset lives.

We have:

- reconciled the Fixed Asset Register to the Financial Statements
- using our own point estimate, considered the reasonableness of depreciation charge to Infrastructure assets
- obtained assurance that the useful economic lives applied to each category of infrastructure assets is reasonable
- documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated.

Conclusion

Management have made amendments to the infrastructure asset disclosures to make use of the provisions of the Code and SI. – referred to in Appendix C

The audit team are satisfied that the useful economic life assumptions and depreciation estimate for infrastructure assets are not materially misstated and as such the closing net book value is also free of material misstatement given the new provisions of the Code and SI.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
Academy school transfers – land and building derecognitions not accounted for- £21.629m	After the production of the draft accounts, management identified that they had not accounted for the derecognition of school land and buildings totalling £21.629m relating to five schools which had become Academies before the period end.	Management agreed to adjust the value of Other Land and Buildings downwards by £21.629m to account for the derecognitions. – Refer to Appendix C. We recommend that management strengthen the process around the identification of academy transfers and the resulting disposal accounting required. Refer to Appendix A.
Fully depreciated vehicles, plant, furniture and equipment not disposed- £15.6m	We identified a balance of £18.8m of fully depreciated assets within the £92.4m reported total gross cost of vehicles, plant furniture and equipment. Of this balance we were unable to gain assurance that 114 of these assets with gross cost £15.6m were still in existence and operational at the Council.	As the value is not material and impacts gross reported values only (i.e. doesn't impact the value reported on the balance sheet) we recommend management addresses this issue going forwards. We recommend 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. – Refer to Appendix A.
Debtors & Creditors- various key item audit adjustments £ 27.047m net understatement of debtors £17.727m net understatement of creditors	Our testing of the debtor and creditor balances reported in the balance sheet identified several issues which management have agreed to adjust the accounts for: 1) Upfront pension contribution payment adjustment incorrect, meaning debtors and creditors were overstated by an equal amount (£7.169m) 2) NDR pool adjustment incorrect, meaning debtors and debtors were understated by an equal amount (£8.113m) 3) Cash received around the year end adjustment incorrect, meaning debtors were understated by £10.594m with corresponding understatements of capital grants received in advance (£5.108m); capital grants unapplied (£4.212m); and short term creditors (£1.274m) 4) Adjustment for BACS payments not cleared incorrect meaning debtors and creditors were understated by the same amount (£16.994m) We confirmed there were also similar issues in the prior year debtor and creditor balances, however the net impact on each balance was confirmed as £19.06m. This is not material, and as such a prior period adjustment is not required under IAS 8.	We have reported for the last two years that the Council's supporting analyses for its debtors and creditors do not allow ready comparison of outstanding balances by customer or supplier. The supporting analyses contain transactions and reversals, and batch total postings such that designing an audit testing strategy is made very difficult. We have raised this again as a prior year action to be addressed for management in Appendix B. The errors identified this year demonstrate a weakness in the Council's overall accounting for debtors and creditors, and this should be strengthened for the year ahead. Management agreed to adjust for these errors- Refer to Appendix C.

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
<p>Debtor accruals – estimate overstated compared to actual income due to timing of available information</p> <p>Value of error identified: £205k (overstatement of debtors and income).</p> <p>This projects to an auditor expected error of £2.122m</p>	<p>A balance tested as part of a sample of manually accrued debtors was found to have been over-estimated by £205k. Officers accrued an amount based on available information at the time, however it later became clear the amount was overestimated. Our estimate for errors of this type is projected to be £2.122m. This is reported as an unadjusted misstatement in Appendix C.</p>	<p>The factual error in the sample is trivial, the projected error is not material. The projected error is reported as an unadjusted misstatement in Appendix C. We do not expect that management should adjust for this projection.</p>
<p>Creditor accruals- various sample errors</p> <p>These errors project to an auditor expected error of £5.852m.</p>	<p>In addition to the errors in creditors reported on the previous page, further errors were identified in our sample testing. The value of errors in our sample testing required us to extend the size of the sample twice. Testing is not yet finalised.</p>	<p>The factual error in the sample is trivial, the projected error is not material. The projected error is reported as an unadjusted misstatement in Appendix C. We do not expect that management should adjust for this projection.</p> <p>The errors identified this year demonstrate a weakness in the Council's overall accounting for debtors and creditors, and this should be strengthened for the year ahead.</p>
<p>Internal recharges not separately identifiable</p>	<p>Costs recharged between council committee areas amounted to some £76m in 2021/22. These recharges should be identifiable from the general ledger and should net to nil across the Council. Management were unable to provide a listing of internal recharges included within their expenditure codes. As a consequence the transaction reports obtained by the audit team to support the expenditure population was overstated and larger samples were selected than would be required had we been able to identify and exclude recharge transactions</p>	<p>Recharge transactions should be coded in such a way that they can be separately reported on for management and auditor information. We have included this as a recommendation in Appendix A.</p>

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £615.0m Of which: <ul style="list-style-type: none"> revalued in year £219.0 (36%) not revalued in year £396.0m (64%) 	<p>Land and buildings comprise specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The Council engaged its internal RICS-registered valuer to complete the valuation of its land and buildings as at 31 March 2022 on a five yearly cyclical basis. By value, one third of the Council's total land & buildings were revalued during 2021/22 (one third in 2020/21). The five yearly cyclical basis is allowable under the CIPFA Code, providing the carrying amount of non-valued assets is not materially different from the current value at the year-end.</p> <p>Management have considered the year end value of non-valued land and buildings by consulting with the valuer for his professional opinion on the matter and by applying relevant indices to determine whether there has been a material change in the total value of these properties. After audit challenge in this area and additional valuations being obtained (see page 9), management's updated assessment of assets not revalued has identified no material change to the properties' value.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs indices; internal floor areas; site areas; and for both EUV and DRC assets: condition assessments from inspections carried out and RICS and other relevant industry guidance. Management review alternative site and building configuration assumptions to address the modern equivalent asset accounting requirement. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The total year end valuation of land and buildings in the accounts was £615.0, a net decrease of £29.3m from 2020/21 (£644.3m).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – relevant findings are set out on page 9 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 9 We have reviewed and are satisfied with management's updated 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

- [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
<p>Surplus Assets valuations – £132.8m</p> <p>Of which:</p> <ul style="list-style-type: none"> revalued in year £109.4m (82%) not revalued in year £23.4m (18%) 	<p>Surplus assets comprise land and building assets which are: not being used to deliver services; nor currently being held for sale; nor held as an investment property. They must be reported at their Fair Value as at the reporting date in accordance with IFRS 13.</p> <p>The Council makes an assessment each year as to which of its properties meet the definition of surplus assets to ensure the appropriate valuation technique and accounting is applied.</p> <p>The Council engaged its internal RICS registered valuer to complete the valuation of surplus assets as at 31 March 2022. By value, just under three quarters of the Council's total surplus assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued surplus assets by consulting with the valuer for his professional opinion on the matter and by applying relevant indices to determine whether there has been a material change in the total value of these properties. After audit challenge in this area and additional valuations being obtained (see page 9), management's updated assessment of assets not revalued has identified no material change to the properties' value.</p> <p>The total year end valuation of surplus assets was £132.8m, a net increase of £58.5m from 2020/21 (£74.3m). The significant increase in value was largely due to the highest and best use of one land asset improving due to the earmarking of the land on a Local Plan as development land; readying the land for sale; and testing the market.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – relevant findings are set out on page 9 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 9 We have reviewed and are satisfied with management's updated assessment that assets not valued are not materially misstated The estimate is adequately disclosed in the financial statements. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Investment Property Valuation - £61.1m</p> <p>Of which:</p> <ul style="list-style-type: none"> revalued in year £61.1m (100%) 	<p>Investment properties comprise those assets held by the Council which are held solely to earn rental income or for capital appreciation or both. They must be reported at their Fair Value as at the reporting date in accordance with IFRS 13.</p> <p>The Council makes an assessment each year as to which of its properties meet the definition of investment properties to ensure the appropriate valuation technique and accounting is applied.</p> <p>The Council engaged its internal RICS registered valuer to complete the valuation of investment properties as at 31 March 2022. All investment properties were revalued as at the reporting date.</p> <p>In reporting a valuation for investment properties, the valuer considers a range of relevant sources of information, including relevant market data; current and prospective lease terms and rental income; condition assessments from inspections carried out; RICS and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided by the valuer and challenge where required.</p> <p>The total year end valuation of investment properties was £61.1m, a net increase of £9.3m from 2020/21 (£51.8m).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets We have analysed and are satisfied with the method, data and assumptions used by management to derive the estimate The estimate is adequately disclosed in the financial statements. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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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 – £1,317.1m	<p>The Council's net pension liability at 31 March 2022 is £1,317.1m (PY £1,524.7m) comprising both the Nottinghamshire Pension Fund Local Government Pension Scheme ('LGPS' - £1,256.4m) and the Teachers Unfunded Defined Benefit Pension Scheme ('unfunded scheme' - £73.9m) obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £294.5m net actuarial gain in 2021/22 (£350.8m net actuarial loss during prior year).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, Barnett Waddingham is competent, capable and objective We have reviewed and assessed the actuary's roll forward approach taken. We have used an auditors expert (PwC) to assess the actuary and assumptions made by the actuary for the LGPS: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.60%</td><td>2.55% to 2.60% p.a.</td><td>Light purple</td></tr> <tr> <td>Pension increase rate [CPI]</td><td>3.20%</td><td>3.05% to 3.45% p.a.</td><td>Light purple</td></tr> <tr> <td>Salary growth</td><td>4.20%</td><td>1.0% p.a. above CPI inflation</td><td>Light purple</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>23.0/ 21.6</td><td>21.9 – 24.4/ 20.5 – 23.1</td><td>Light purple</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.8/ 24.3</td><td>24.9 – 26.4/ 23.4 – 25.0</td><td>Light purple</td></tr> </table> <ul style="list-style-type: none"> 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 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.60%	2.55% to 2.60% p.a.	Light purple	Pension increase rate [CPI]	3.20%	3.05% to 3.45% p.a.	Light purple	Salary growth	4.20%	1.0% p.a. above CPI inflation	Light purple	Life expectancy – Males currently aged 45 / 65	23.0/ 21.6	21.9 – 24.4/ 20.5 – 23.1	Light purple	Life expectancy – Females currently aged 45 / 65	25.8/ 24.3	24.9 – 26.4/ 23.4 – 25.0	Light purple	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
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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 - Internal Control

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

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

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



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Ethics Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We routinely cross-check the completeness of Member and Officer declarations of interests against Companies House records. We noted several undisclosed company interests and queried these with management. We identified three related parties which were not previously disclosed in the draft accounts where transactions had occurred in year. Management have agreed to amend the accounts for these related party transactions. We report this in Appendix C. We have raised a recommendation that the Council strengthens its declaration of interest process in Appendix A.
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 C for disclosure changes proposed.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

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

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

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2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not required for 2021/22 as the Council does not exceed the threshold set by the NAO;</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Nottinghamshire County Council in the audit report, as detailed in Appendix E, due to incomplete VFM work, and incomplete WGA work.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

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3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 3 May 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

Risk of significant weakness	Work performed to date
<p>Financial Planning (Medium Term Financial Sustainability)</p> <p>Wording from our Audit Plan:</p> <p>Although the council expects to have sufficient resources in the immediate term (FY2022/23), it has identified a need to deliver significant year on year savings to achieve a balanced budget in the medium term. The council has identified estimated savings requirements of £29.1m from 2023-2026. There remain significant uncertainties in the position going forward, due to uncertainty over future funding decisions and the performance of the wider economy and market factors - the Council's plans for medium term financial sustainability need to remain flexible and be robust.</p>	<p>We have:</p> <ul style="list-style-type: none">• conducted interviews with senior officers and Service Directors;• examined minutes and relevant papers of Council, Cabinet and Committee meetings; <p>We will:</p> <ul style="list-style-type: none">• commence a review of the medium term financial planning and cost saving schemes;• examine minutes of further meetings and relevant papers; <p>With a view to:</p> <ul style="list-style-type: none">• document an understanding of the arrangements the body has in place in respect of financial sustainability• make an assessment of those arrangements• gather sufficient evidence to support the commentary on the body's arrangements in the Auditor's Annual Report• identify any further risks of significant weaknesses in arrangements that weren't identified at the initial planning stage• draft the commentary to be included in the Auditor's Annual Report

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 D.

Transparency

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

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	Self Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £133,774 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.
IAS19 Assurance letters for Admitted Bodies (Pension Fund)	8,750	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,750 in comparison to the total fee for the audit of £133,774 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.
Non-audit related			
CFO Insights subscription (County Council)	16,000	Self-Interest	<p>The Council renewed its subscription to CFO insights for 12 months from July 2021. The cost of the service over the 12 month term is £16,000. Brought forward fees at that time relating to the previous subscription were £4,000.</p> <p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £133,774 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.</p>

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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Academy school transfers – land and buildings not derecognised Management did not account for the derecognition of school land and buildings totalling £21.629m relating to five schools which had become Academies before the period end.	We recommend that management strengthen the process around the identification of academy transfers and the resulting derecognition accounting required Management response Data is derived from the DfE website for Academy conversions and used to update the asset register. A spreadsheet issue led to the oversight. This was a self-identified isolated issue and additional checks have been put in place for 22/23.
High	Declaration of interests – undeclared interests We routinely cross-check the completeness of Member and Officer declarations of interests against Companies House records. We noted several undisclosed company interests and queried these with management. We identified three related parties which were not previously disclosed in the draft accounts, where transactions had occurred in year. Management have agreed to amend the accounts for these related party transactions.	We recommend that the Council strengthens its declaration of interest process. Management response The declaration process will be reviewed in conjunction with a revised Members Code of Conduct which is currently being developed.
High	IT system We identified the following controls issue in security and access of Nottinghamshire County Council's SAP system: SAP Support staff and vendors with DEBUG access in SAP. The 5 users that still had debug access in the production client were DL44, EW36, HB37, MW244, NN4	Management should ensure that DEBUG access is removed from all dialog users. The access was terminated in July 2022 The issue is now remediated Management response DEBUG access has now been removed from the above users

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>Internal recharges not separately identifiable</p> <p>Costs recharged between council committee areas amounted to some £76m in 2021/22. These recharges should be identifiable from the general ledger and should net to nil across the Council. Management were unable to provide a listing of internal recharges included within their expenditure codes. As a consequence the transaction reports obtained by the audit team to support the expenditure population was overstated and larger samples were selected than would be required had we been able to identify and exclude recharge transactions</p>	<p>Recharge transactions should be coded in such a way that they can be separately reported on for management and auditor information.</p> <p>Management response</p> <p>We have introduced a new document type for internal recharges (SI) to isolate internal transactions for 2022/23.</p>
Low	<p>Fully depreciated vehicles, plant, furniture and equipment not disposed</p> <p>We identified a balance of £18.8m of fully depreciated assets within the £92.4m reported total gross cost of vehicles, plant furniture and equipment. Of this balance we were unable to gain assurance that 114 of these assets with gross cost £15.6m were still in existence and operational at the Council.</p>	<p>We recommend that management review its fully depreciated assets listing routinely to identify assets which should be disposed of. Should it be identified that a high balance of fully depreciated assets are in continuing use, we recommend the Council reviews its useful economic lives and depreciation accounting policies.</p> <p>Management response</p> <p>Fully depreciated assets are reviewed annually. Useful lives are an estimate and it is not uncommon to hold on to assets for longer than was anticipated at the outset. We acknowledge there are historic data deficits on older assets. A thorough housekeeping exercise is being undertaken for 2022/23 to improve assurance in relation to continued use of assets.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council's 2020/21 financial statements, which resulted in four recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note two have been fully addressed; one partially addressed; and one not yet addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals controls- self authorisation</p> <p>The finance system currently allows journals to be posted and approved by the same user. This acts as an enabler for fraudulent financial misreporting and error. The Council and Pension Fund have a mitigating control in place, in that all such self- approved journals undergo retrospective approval. The control was found not to be operating effectively during 2020/21.</p> <p>We recommend automated preventative segregation of duty controls are built in to the finance system to prevent transactions being posted and approved by the same user.</p> <p>We recommend in the meantime that the control around reviewing self-approved journals with retrospective authorisation should be strengthened.</p>	<p>Automated preventative controls have not been put in place however a retrospective review of self-approved journals was found to be in place. Increased audit testing was required again this year due to no automated preventative control being in place.</p> <p>Management response</p> <p>The Senior Practitioner - Accounting and Income Team produces a monthly report which details any self-approved journals. If any are identified retrospective approval is sought from the manager.</p>
✓	<p>Journals controls- senior officers</p> <p>Senior officers have access privileges built into the finance system which allow them to be able to post journals. As senior officers, this privilege is considered to be incompatible with role, and is an enabler of management override of control.</p> <p>We recommend journal posting privileges are removed for senior officers.</p> <p>Upon further investigation this year, evidence was obtained that the access was successfully removed in 2018.</p>	<p>Management response</p> <p>The Section 151 Officer and Deputy 151 Officer do not have park or post access which was removed from the SAP production system in 2018.</p>

Assessment
✓ Action completed
X Not fully addressed

B. Follow up of prior year recommendations- continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Payables and Receivables reports- first reported in 2019/20</p> <p>Reports provided for Payable and Receivable sample selection were transaction listings not a report showing actual balances at the year end. This has led to delays in getting breakdowns from the cost centres reported to select samples at a unit level and also samples selected that have been reversed so not representing debts to the Council or monies owed at year end.</p>	<p>The improvement in payable & receivable reports are still to be addressed by officers. This led to delays again during the 20/21 audit and 21/22 audit.</p> <p>Management response</p> <p>We acknowledge the system constraints which exist and will work collaboratively to improve processes where possible.</p>
✓	<p>IT system</p> <p>We identified a number of control issues in security and access of NCC's SAP system. These weaknesses include</p> <ul style="list-style-type: none"> • SAP Support staff and vendors with DEBUG access • SAP developers with access to modify the ledgers • Change developer and implementation segregation of duties conflicts • Inadequate password security for SAP; and • IT security policies not acknowledges by staff 	<p>Actions taken for each item identified are detailed below</p> <ul style="list-style-type: none"> • Five dialogue users still had DEBUG access in the production client for the year, however access was terminated in July 2022. • Nottinghamshire County Council locked the six accounts which had access to development keys and ability to modify ledgers in SAP production environment • Developers no longer have access to migrate changes • While the majority of the SAP password policy remains unchanged, we noted that users are now mandated to adopt the SSO passwords for SAP • A new e-learning module was added to Nottinghamshire County Council's Learning Portal. All users were auto-enrolled and required to confirm that they had read the acceptable use standard. The learning is mandatory and will be issued annually

Assessment

- ✓ Action completed
- X Not fully addressed

C. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Additional asset valuations to address potential material difference between carrying value and current value	Dr Other Comprehensive Income 1,081	Dr Other Land & Buildings 187 Cr Surplus assets (1,268)	£1,081 increase
Academy school transfers – land and buildings not derecognised	Dr Surplus/Deficit on Provision of Services 16,358 Dr Other Comprehensive Income 5,271	Cr Other Land & Buildings (21,629)	£21,629 increase
Upfront pension contribution payment adjustment incorrect	Nil	Dr Debtors 7,169 Cr Creditors 7,169	Nil
NDR pool adjustment incorrect	Nil	Dr Creditors 8,113 Cr Debtors (8,113)	Nil
Cash received around the year end adjustment incorrect	Cr Capital Grants (unapplied) (4,212)	Dr Debtors 10,594 Cr Cap grants received in advance (5,108) Cr Creditors (1,274)	(£4,212) decrease
Adjustment for BACS payments not cleared incorrect	Nil	Dr Debtors 16,994 Cr Creditors 16,994	Nil
Pension assets understated – (Pension Fund audit findings)	Cr Other Comprehensive Income (13,258)	Dr IAS 19 Net Pensions Liability 13,258	(13,258) decrease
Overall impact	Dr CIES £5,240	Cr Net assets £5,240	£5,240 increase

C. Audit Adjustments

Misclassification and disclosure changes - adjusted

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

Disclosure area	Auditor recommendations	Adjusted?
Related Party Transactions	We routinely cross-check the completeness of Member and Officer declarations of interests against Companies House records. We noted several undisclosed company interests and queried these with management. We identified three related parties which were not previously disclosed in the draft accounts, where transactions had occurred in year. Management have agreed to amend the accounts for these related party transactions.	✓
Movement on usable reserves	£22.346m 2020/21 Covid Reserve line in the Movement on Usable Reserves note was incorrectly omitted in 21/22 the draft accounts.	✓
Critical Judgements disclosure	The critical judgements note should detail those judgements made by management which have a critical impact on a user's understanding of the accounts. It should explain the basis of the judgements made. The critical judgement in relation to school non-current assets was not adequately explained.	✓
Infrastructure Assets	Management have made amendments to the infrastructure asset disclosures to make use of the new provisions of the Code and SI	✓
Pensions	The £343m value disclosed for 20/21 actuarial gains/(losses) in note 21 was reported as gain but should have been reported as a loss. This and the related cumulative actuarial gain/loss subtotals required amending.	✓
Financial Instruments	Trade debtor financial assets reported in note 27 were found to be understated due to double counting of a £10.4m impairment allowance.	✓
Narrative Report	LOBO balance disclosed £70m was inconsistent with the audited accounts which state £90m.	✓
Various minor	Minor disclosure adjustments and presentational adjustments made following discussions with management.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 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
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 Testing is not yet finalised	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	

C. Audit Adjustments

Misclassification and disclosure changes- unadjusted

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

Disclosure area	Auditor recommendations	Adjusted?	Management comment
Movement in Reserves Statement (MiRS), Balance Sheet and EFA	<p>General Fund balance not clearly disclosed</p> <p>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.</p>	No	<p>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.</p> <p>The General Fund balance is clearly identifiable on the Balance Sheet and other notes throughout the accounts.</p>
Movement in Reserves Statement (MiRS),	<p>£63.915m capital grants unapplied movements – presentation not in line with Code</p> <p>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 £63.915m, contrary to this guidance. Management chose not to amend. A similar error is present in the prior year comparators.</p>	No	<p>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.</p>
Expenditure and Funding Analysis (EFA)	<p>EFA presentation not in line with IAS 8 requirements</p> <p>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 £48.9m unexplained difference between the management accounts and the first column in the EFA note.</p> <p>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.</p>	Partially	<p>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.</p>

C. Audit Adjustments

Misclassification and disclosure changes- unadjusted (continued)

Disclosure area	Auditor recommendations	Adjusted?	Management comment
Estimation uncertainty disclosure	<p>Estimation uncertainty disclosure requirements not met</p> <p>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.</p>	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.
Level 3 surplus asset and investment property fair value disclosures	<p>Level 3 fair value disclosure requirements not fully met</p> <p>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.</p>	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.
Financial Instruments	<p>Money market funds inappropriately classified as 'held at amortised cost'</p> <p>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.</p>	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.

C. Audit Adjustments

Misclassification and disclosure changes- unadjusted (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 £1.4m to £2.9m and were applicable to related party transactions and balances with ARC Property Partnership and Via East Midlands. We report this matter as an uncertainty rather than an error given the conflicting evidence obtained. Management have not amended the note.	No	We will continue to work to ensure the related party disclosures are synchronised as per expectations.
Narrative Report	The Code requires that: "The Narrative Report should provide a description of the agreed medium and long term strategies of the authority, including its medium term financial strategy and plans to address any future resource shortfalls." We identified that medium and long term strategies to address the shortfall were not sufficiently detailed. Management have not amended the Narrative Report.	No	The outcome of the Authority's MTFS which was approved at Full Council in February 2022 is noted along with the funding gap across the period. It was too premature to set out any meaningful information with regard to plans to address the shortfall. Other subsequent Council documents address this point. The long term vision, ambitions and commitments of the Council are set out from paragraph 26 and 27
Narrative Report	The Code requires that: "The Narrative Report should contain sufficient information to allow the user to assess the future sustainability of the organisation and its impact on service provision including: <ul style="list-style-type: none"> information on an authority's key commitments, commentary on significant matters covered in the budget report and any significant assets or liabilities earned or incurred, details of known future budget pressures or changes in resources and the authority's plans for dealing with any shortfalls." We identified a number of deficiencies in the draft narrative report including a lack of commentary on the pension fund liability, the overall balance sheet position and savings plans and other plans for dealing with shortfalls. Management have not amended the Narrative Report.	No	We will consider your comments when putting the Narrative Report for 2022/23 together.

C. 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 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Projected misstatement due to inappropriate fixed asset valuation assumptions/ mistakes in calculation	Dr Surplus on revaluation of non current assets £1,995	Cr Property Plant & Equipment £1,995	Nil impact on net cost of services	Audit projection, not material, no impact on general fund
Overall impact	£1,995	£1,995	£1,995	

D. Fees

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	£133,774*	£146,274**
Total audit fees (excluding VAT)	£133,774	£146,274

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers' Pensions return	£7,500	£7,500
Non-audit related services		
CFO Insights subscription	£16,000	£16,000
Total non-audit fees (excluding VAT)	£23,500	£23,500

*The proposed audit fee for 2021/22 included an estimated recharge of £7,500 for additional costs related to remote working. We have waived this recharge following mutual agreement with management to carry out the audit remotely following a trial hybrid approach.

** The final audit fee for 2021/22 has increased by £20,000 as agreed with the Service Director – Finance, Infrastructure and Improvement. This reflects the prolonged audit period and specific challenges this year including infrastructure asset accounting; increased work on PPE e.g. for non-revalued assets; additional testing required due to the debug IT control deficiency; extended testing of creditors and the misstatements in relation to debtors and creditors; inefficiencies in testing of debtors, creditors and expenditure due to limitations in transactional reports. The fee increase will be submitted to Public Sector Auditor Appointments (PSAA) for approval.

The audit fee reconciles to the fee disclosed in the financial statements as follows:

Proposed fee: £133,774

Less recharge for remote working (£7,500)

Add additional fee £20,000

Audit fee per the accounts: £146,274

E. 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 2022, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

E. Audit opinion

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

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

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the

Service Director - Finance, Infrastructure & Improvement. The Service Director - Finance, Infrastructure & Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, 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 there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, and the Local Government Act 1972.
- We enquired of senior officers and the Governance and Ethics Committee, concerning the Authority's policies and procedures relating to:

E. Audit opinion

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Governance and Ethics Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, misstatement of significant estimates due to fraud and related party transactions. We determined that the principal risks were in relation to:
 - The use of 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 the Service Director - Finance, Infrastructure & Improvement has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large and manual postings; entries containing key words or blank descriptions; entries posted after the year end; and entries which were self-approved.
 - 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, 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.
- 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.

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 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

E. Audit opinion

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 December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Nottinghamshire County Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Signature:

F. 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 Sirs

Nottinghamshire County Council Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Nottinghamshire County Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 2021/22 ("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 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.
- 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.

F. Management Letter of Representation

- 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.
- xvii. In relation to the land at Top Wighay Farm, we confirm that there were no indications prior to 1 April 2021 that the fair value of the land was significantly higher than the carrying value of the asset in the financial statements as at 31 March 2021. We confirm therefore that no material prior period error exists in relation to the carrying value of this land on balance sheet.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. 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.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Information Provided

- xviii. 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.

Annual Governance Statement

- xxvii. 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

- xxviii. 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 22 March 2023.

G. Audit letter in respect of delayed VFM work

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

Grant Thornton UK LLP
17th Floor
103 Colmore Row
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T +44 (0)121 212 4000

6 October 2022

Dear Cllr Owen

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our 2021/22 Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 22 February 2023.

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

Yours sincerely



Andrew J Smith
Director, Grant Thornton UK LLP



The Audit Findings for Nottinghamshire County Council Pension Fund

Year ended 31 March 2022



Contents



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2. Financial statements
3. Independence and ethics

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council Pension Fund (‘the Pension Fund’) and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements	
<p>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:</p> <ul style="list-style-type: none">the Pension Fund’s financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; andhave 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.	<p>Our audit work was completed remotely during July-November. Our findings are set out on pages 18 to 26.</p> <p>We have not identified any material adjustments to the financial statements impacting the Pension Fund’s reported financial position. Other audit adjustments are detailed in Appendix C.</p> <p>We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">receipt of management representation letter; andreview of the final set of financial statements. <p>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.</p> <p>Our anticipated audit report opinion will be unqualified.</p>

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 the Governance and Ethics Committee.

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Ethics Committee meeting on 22 March 2023. These outstanding items include:

- receipt of management representation letter;
- receipt and review of the annual report; 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 and Pension Team staff.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on 9 June 2022. We detail in the table adjacent our determination of materiality for Nottinghamshire County Council Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	£61.2m	We determined materiality for the audit of the Pension Fund's financial statements as a whole to be £61.2m, which is approximately 1% of the Pension Fund's net assets as at 31 March 2022. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in the Pension Fund's ability to pay pension liabilities as they fall due.
Performance materiality	£42.9	We have determined £42.9m (75% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of significant accounting issues and this continues to be the case.
Trivial matters	£3.9m	Triviality is the threshold at which we will communicate misstatements to the Governance and Ethics Committee.



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2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Pension Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>Conclusion</p> <p>We have noted two control deficiencies in regard of the journal entry process, these pertain to senior financial reporting personnel's ability to post journals and a user's ability to both post and approve their own journal. We identified one self-approved journal, with no mitigating evidence of subsequent approvals having taken place. We conducted additional testing on this journal and no irregularities were noted. While we are satisfied that there is no evidence of management override of controls through senior officers posting journals or in regard to the segregation of duties issue, we bring this to the attention of those charged with governance as it relates to a significant risk area.</p> <p>No issues have been identified as a result of our testing of high risk and unusual journals. Additionally, we have not identified any indications of management bias in estimates included in the financial statements.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Fraud in revenue recognition (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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

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

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

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

Fraud in expenditure recognition – Practice Note 10 (rebutted)

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

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

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

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

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

The Pension Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgment to reach an appropriate valuation at year end.

Management utilise the services of an expert, Knight Frank for the valuation of directly held property and rely on valuations provided by investment managers for financial investments. We therefore identified valuation of Level 3 investments as a significant risk.

For financial investments we have :

- evaluated management's process for Level 3 investments
- reviewed the nature and basis of estimated values and considered the assurance management have over the year end valuations provided for these types of investments to ensure that the requirements of the code are met
- independently requested year-end confirmation from investment managers and/or custodian(s)
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available, reviewed investment manager service auditor reports on design effectiveness of internal controls

We have not treated investment managers as experts as we note that they have been engaged by the Pension Fund to provide a service of investing the Pension Fund's assets therefore not being engaged by the Pension Fund to act as an expert in financial reporting.

Conclusion

Our audit work identified that the actual value of financial investments at 31 March 2022 had risen by £33m (Level 3 - £21m) from that estimated in the financial statements. This was largely attributed to 31 March 2022 fund manager reports not being available when the Pension Fund's financial statements presented for audit were closed down. Management has chosen not to amend the accounts for this difference.

For directly held property we have :

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- engaged our own valuer to assess the instructions to the Pension Fund's valuer, the Pension Fund's valuer's report and the assumptions that underpin the valuation
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end (there were none)
- tested property assets for rights and obligations and for existence

Conclusion

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

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,388m	<p>The Pension Fund has financial investments (£887m) and directly held properties (£501m) that in total are valued in the net assets statement as at 31 March 2022 at £1,388m.</p> <p>For financial investments, management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Fund Committee in order to provide scrutiny of estimates and consider any uncertainty. Key fund managers will periodically attend committee meetings which provides an opportunity for officers and members to challenge any unusual movements or assumptions.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by investment managers for the property, infrastructure, private equity and credit funds which the Pension Fund invests in.</p> <p>For directly held properties, the Pension Fund engages an expert valuer who determines the fair value of investment properties with reference to rent and market yields for similar properties.</p> <p>The value of investments has increased by £519m in 2021/22, largely due to transfers of investments from Level 2 to Level 3, additional investments made during the year and the general recovery of financial markets following the Covid-19 pandemic.</p>	<p>Management determine the value of financial investments through placing reliance on the reports provided fund managers. As such we sought and reviewed confirmations of year end valuations for all sampled fund managers. We reviewed the audited accounts and unaudited valuations at the audited accounts date to determine if values estimated are reasonable. Where provided, we further reviewed service organisation reports for the fund managers. Please see our findings on page 24 where we identified a £21m change in the final value of financial investments from the estimated value in the financial statements.</p> <p>For directly held properties, we are satisfied that management's expert, Knight Frank is competent, capable and objective. We agreed the underlying information used to determine the estimate by the valuer and are satisfied that this has been appropriately applied. Our auditor's expert confirmed that the valuation methodology used by management's expert was in line with their expectation.</p> <p>Sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code.</p> <p>The estimate is adequately disclosed in the financial statements.</p>	Grey

Assessment

- [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 (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,879m	<p>The Pension Fund has financial investments that are valued on the net assets statement as at 31 March 2022 at £1,879m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is based on the bid price or net asset value as determined by the fund manager.</p> <p>The value of investments has increased by £1,260m in 2021/22, largely due to transfers of investments from Level 1 to Level 2, additional investments made during the year and the general recovery of financial markets following the Covid-19 pandemic.</p>	<p>Management determine the value of Level 2 investments through placing reliance on the reports provided by fund managers. As such we sought and reviewed confirmations of year end valuations for all sampled fund managers. Where provided, we reviewed service organisation reports for the fund managers. Please see our findings on page 24 where we identified a £12m change in the final value of financial investments from the estimated value in the financial statements.</p> <p>The estimate is adequately disclosed in the financial statements.</p>	Light Purple

Assessment

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

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2. Financial Statements - matters discussed with management

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



Significant matter	Commentary	Auditor view and management response
Effect of market movements on the Pension Fund's investments following the government's mini budget	<p>Rising interest rates during the period following the announcement of the mini budget impacted pension funds that had significant investments in liability driven investments (LDIs).</p> <p>LDIs reduce funding level volatility caused by changes in interest rates and future liabilities. This is therefore an investment strategy that focuses on matching assets with current and future liabilities.</p>	<p>Officers at the Pension Fund confirmed that there were no investments in LDIs at 31 March 2022. This is consistent with our understanding.</p> <p>Disclosure has been made in note 18 detailing the value of the Pension Fund's assets at 30 June 2022.</p>

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Governance and Ethics Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Pension Fund's investment managers, custodian and bankers. This permission was granted and the requests were sent. Six requests were not received so we undertook alternative procedures, including observing management logging onto the online platforms of the third party organisations and agreeing the year-end balances as detailed on the online platforms.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>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:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	<p data-bbox="374 539 1435 560">The following inconsistencies were identified following our review of the Pension Fund Annual Report:</p> <ul data-bbox="374 568 1583 943" style="list-style-type: none"> <li data-bbox="374 568 1583 679">• It was stated in the Chairman's Foreword that the Authority administers the pension fund for around 280 participating employers. However, note 2a stated that the Authority administers the pension fund for around 520 participating employers. The statement of accounts has been updated stating that the Authority administers the pension fund for over 275 employees; <li data-bbox="374 695 1583 775">• The Financial Performance section highlighted investment income for 2021/22 as £73m. However, the Fund Account showed investment income of £94m. This has been updated to read net investment income which makes the £73m disclosed correct; <li data-bbox="374 791 1583 847">• Total pension fund investments were shown as £6,578m with note 2d disclosing total investments as £6,620m. The annual report has been appropriately updated and now shows the value of £6,620m; and <li data-bbox="374 863 1583 943">• The list of the Fund's largest holdings showed the Aegon Kames Diversified Growth Fund as having a valuation of £346.6m. However, in note 11c the value of the investment was shown as £366.6m. The statement of accounts has been updated to show a value of £346.6m. <p data-bbox="374 959 1583 1038">Regulations require the annual report to be published on or before 1 December. However, the Pension Fund's Annual Report was published on 10 January 2023. It is our recommendation that a draft annual report is published prior to the regulated date to ensure that the Pension Fund continues to maintain its compliance with regulations.</p>
Matters on which we report by exception	<p data-bbox="374 1077 1583 1189">We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report once we have completed our work on the Administering Authority's accounts.</p>



3. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified which were charged from the beginning of the financial year to current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-audit Related			
IAS19 procedures for other bodies admitted to the pension fund.	£16,000	Self-interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £38,456 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 are performing a required function of our assignment as the pension fund auditor. This is a routine piece of work completed as part of all such audit engagements. Safeguards in place are appropriate given this is for the benefit of PSAA framework bodies in order to enable them to have sufficient appropriate assurance over the net pension liability disclosures within their accounts. The engagement is a common piece of assurance from auditors of entities within the PSAA framework and is covered by standardised request and response letters. The work constitutes an audit-related service under paragraph 5.36 of the 2019 FRC Ethical Standard. As such, a third party would not perceive it to impact significantly on our independence, objectivity or integrity in respect of our Code of Audit Practice audit of the Pension Fund or the administering Authority.

These services are consistent with the Pension Fund'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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified three recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	<p>Journals controls – self authorization</p> <p>The finance system currently allows journals to be posted and approved by the same user. Self authorisation of journals increases the risk of fraudulent financial reporting or error. The Pension Fund has a mitigating control in place, in that all such self-approved journals undergo retrospective approval, which reduces the overall control risk. During the period 1 journal was identified having been posted and approved by the same user. We were able to gain reasonable assurance per the evidence obtained and reviewed.</p>	<p>To strengthen journal controls, we recommend automated preventative segregation of duty controls are built in to the finance system to prevent transactions being posted and approved by the same user.</p> <p>Management response</p> <p>The Business Services Centre Senior Practitioner, Accounting and Income Team produces a monthly report which details any self-approved journals. If any are identified retrospective approval is sought from the manager.</p>
●	<p>Controls reports, bridging letters and audited financial statements</p> <p>Consistent with the prior period we have identified a deficiency in regard to lack of controls reports at certain fund managers. The value of investments of which we were unable to obtain a controls report is £170.6m and as we understand, the Pension Fund do not perform any alternative procedures to gain assurance that controls and processes are designed effectively at these fund managers. Similarly, we were unable to obtain audited financial statements for three pooled investment vehicles.</p>	<p>We are satisfied that reasonable assurance has been obtained over investment values in the absence of these documents. However, given the significant risk of estimation uncertainty we would recommend that the Pension Fund introduce measures to ensure where reports are not provided, management are obtaining alternative assurance that controls and processes in place in regard to the valuation of investments are effective.</p> <p>Management response</p> <p>Controls reports and bridging letters are obtained for all our major investment managers. Over time as more investments are made through LGPS Central this control will be provided by them.</p>

Controls

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

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
●	<p>IT system</p> <p>We identified a number of controls issues in security and access of Nottinghamshire County Council's SAP system. These weaknesses include:</p> <ul style="list-style-type: none"> SAP Support staff and vendors with DEBUG access in SAP. The 5 users that still had debug access in the production client were DL44, EW36, HB37, MW244, NN4 	<p>The matters identified relate to IT systems but not specifically the financial reporting process.</p> <p>However, the controls around access and segregation are intrinsic to the integrity of the system and should be addressed as users could bypass the configured transport route and change controls in place. This therefore increases the risk of inappropriate and unauthorised changes being made to the system. It should be noted that where this access is granted for an extended period or to users outside of IT, the risk is further increased.</p> <p>Management should ensure that DEBUG access is removed from all dialog users. In addition, we recommend that an evaluation is performed to identify and provide the relevant codes that users require for their business duties with finance. This access should be appropriately assigned to these users.</p> <p>Further, management should review audit security logs within SAP, using transaction SM20 and SM21 which enable the maintenance of an audit trail, to verify that no unauthorised transactions were executed by these users within the financial year.</p> <p>Management response</p> <p>The 5 users identified with Debug access have now had this access revoked. Upon checking through the controls we can see that none of the 5 user id's identified actually used Debug access through the period.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council Pension Fund's 2020/21 financial statements, which resulted in six recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	The finance team currently allows journals to be posted and approved by the same user. This acts as an enabler for fraudulent financial misreporting and error. The Pension Fund have a mitigating control in place, in that all such self-approved journals undergo retrospective approval. The control was found not to be operating effectively during 2020/21.	No actions taken. See preceding appendix as this has been reported again as a finding for 2021/22.
✓	Senior officers have access privileges built into the finance system which allow them to be able to post journals. As senior officers, this privilege is considered to be incompatible with role and is an enabler of management override of control.	The Section 151 Officer and Deputy 151 Office do not have park or post access this was removed from the production system in 2018. During the period, there were no journals posted by senior officers.
X	Consistent with the prior period we have identified a deficiency in regard to lack of controls reports at certain managers and/or no bridging letter. The value of investments of which we were unable to obtain a controls report is £114.6m and as we understand, the Pension Fund do not perform any alternative procedures to gain assurance that controls and processes are designed and operating effectively at these funds. Similarly, we were unable to obtain audited financial statements for one fund.	No actions taken. See preceding appendix as this has been reported again as a finding for 2021/22.
✓	We note from our review of the valuation of directly held property that one property in Essex was not revalued at the period end, but rather at 31 December 2020. Management have not performed any additional procedures to consider the movement in value of this asset within the final quarter to the period end.	All directly held properties were valued at 31 March 2022.

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As a result of testing performed on starters and leavers to the fund, we identified one starter that was incorrectly set up in the system under the wrong employer. We therefore extended our testing to cover a further 10 starters and identified one issue whereby a starter was missing a membership certificate as this was due to be issued however the employee subsequently left and therefore this was deemed unnecessary.	Based on our current year review, we noted that there is no active member record on the system as during the prior year, a record had been created erroneously from the payroll system but was subsequently cancelled out as the employer is not part of the Nottinghamshire County Council Pension Fund.
✓ (partial)	<p>We identified a number of control issues in security and access of Nottinghamshire County Council's SAP system. These weaknesses include</p> <ul style="list-style-type: none"> • SAP Support staff and vendors with DEBUG access • SAP developers with access to modify the ledgers • Change developer and implementation segregation of duties conflicts • Inadequate password security for SAP • IT security policies not acknowledged by staff 	<p>Actions taken for each item identified are detailed below</p> <ul style="list-style-type: none"> • Five dialogue users still have DEBUG access in the production client • Nottinghamshire County Council locked the six accounts which had access to development keys and ability to modify ledgers in SAP production environment • Developers no longer have access to migrate changes • While the majority of the SAP password policy remains unchanged, we noted that users are now mandated to adopt the SSO passwords for SAP • A new e-learning module was added to Nottinghamshire County Council's Learning Portal. All users were auto-enrolled and required to confirm that they had read the acceptable use standard. The learning is mandatory and will be issued annually

Assessment

- ✓ Action completed
 X Not yet addressed

C. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
<ul style="list-style-type: none"> Investment management expenses (Profits)/losses on disposal of investments & changes in value <p>The Pension Fund had not grossed up investment management expenses deducted at source in line with the CIPFA guidance (CIPFA, 2016)</p>	15,200 -15,200		
<ul style="list-style-type: none"> Pooled investment vehicles (Profits)/losses on disposal of investments & changes in value <p>Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2022 and the valuation statements received from third party fund managers.</p>	-15,365	15,365	15,365
Overall impact	-£15,365	£15,365	£15,365

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Note 11g private equity and infrastructure funds	Undrawn commitments were previously disclosed as £380.8m which was the balance of undrawn commitments in their original local currencies. The disclosure has now been updated to show undrawn commitments of £361.1m being the GBP equivalent.	✓
Note 2d actuarial present value of promised retirement benefits	The fair value of fund assets was previously understated by £26.3m as it excluded other investment balances which are required to be incorporated in the disclosure by the Code.	✓
Note 11b reconciliation of opening and closing values of investments 2021/22	Purchases and sales were understated by £42.354m as a result of distributions from pooled investment vehicles being recorded as negative purchases.	✓

C. Audit Adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure omission	Auditor recommendations	Adjusted?
Note 1a basis of preparation	Reference was made to IAS 28 and IAS 19 being issued but not yet adopted which was not consistent with the CIPFA Closedown bulletin which lists annual improvements to IFRS 1, IAS 37, IAS 41 and amendments to IAS 16. The note has now been updated to state that there are a number of minor changes to the Code which will not have a material impact upon the financial statements of the Pension Fund.	✓
Note 2f critical judgements	Reference was made to an assessment that directly held properties are leased out under operating leases. The note has been updated to a significant accounting policy as opposed to a critical judgement.	✓
Note 15b sensitivity of assets valued at level 3	The introductory text only made reference to financial instruments even though the note also includes directly held property investments which are not financial instruments. The wording was updated to investments thus covering both types of assets.	✓
Note 15c nature and risk of financial instruments	<p>Disclosures of risks were insufficient given the significant impact of financial instruments on the Pension Fund's financial statements. We would therefore have expected quantitative disclosures for each element of risk (market risk, interest rate risk, currency risk and credit risk). We were provided with amendments to the note where further updates were required and made on the following:</p> <ul style="list-style-type: none"> - funding objectives per the Funding Strategy Statement were not consistent with the most recent Funding Strategy Statement - sensitivities were provided only for the discount rate assumption noting that minor changes in other significant assumptions that is, long term salary increase, pension increases and deferred revaluation and life expectancy could also have a material impact on the funding level - amounts had been disclosed for the Pension Fund's exposure to a 1% interest rate increase or decrease on fixed interest bonds. However, as these assets are fixed interest, interest receivable would not be impacted by any changes interest rates - there was a calculation error on the impact of a 1% interest rate increase in fixed interest bonds (£8.092m - understatement) and credit (£2.597m - understatement) - the currency risk disclosure did not include overseas cash valued at £5.3m - the currency risk disclosure included overseas fixed interest securities which the Pension Fund invests in through pooled investment vehicles. As the actual asset held by the Pension Fund is the pooled investment vehicle, the disclosure should have been limited to the investment in the pooled investment vehicle and not the pooled investment vehicle's underlying assets. The value disclosed was £149.624m - the liquidity risk disclosure required enhancement to show how the Pension Fund manages its cash flows 	✓
Note 15b valuation of financial instruments and property investments carried at fair value	We identified assets which were incorrectly categorised in the fair value hierarchy. Amendments made were level 1 – £1,698m decrease (2020/21 - £1,972m decrease), level 2 – £1,741m increase (2020/21 - £1,741m increase) and level 3 – £131m increase (2020/21 - £231m increase).	✓

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C. Audit Adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure omission	Auditor recommendations	Adjusted?
Note 1c investments	We identified that the definition of fair value was not in line with the code previously stated as “the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction”.	✓
Note 15b valuation of financial instruments and property investments carried at fair value	We identified that financial liabilities valued at £29.203m which are measured at amortised cost were erroneously included in the fair value hierarchy which should only include assets measured at fair value. The 2020/21 disclosure has also been amended by removing financial liabilities valued at £16.46m which are measured at amortised cost.	✓
Note 15b sensitivity of assets valued at level 3	Specific assumptions that give rise to the estimation uncertainty of level 3 investments were not disclosed.	✓
Note 16 members additional voluntary contributions	The note states that contributions are not included in the Fund's accounts in accordance with regulation 4(1)b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The regulation was previously noted in the draft accounts as regulation 4(2)b which was incorrect.	✓
Note 17 related parties	As Nottinghamshire County Council is a related body, transactions with the Pension Fund and balances outstanding were not disclosed. The disclosure has been amended to show costs of £2.51m being incurred by the Council in administering the Pension Fund.	✓
Note 17 related parties	Disclosure had been made that the Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd. However, this guarantee is not with the Pension Fund but with Nottinghamshire County Council.	✓
Note 17 related parties	The IAS 24 definition is incomplete. Though other elements may not be relevant to the Pension Fund, the current wording is unclear and hence should be enhanced to allow understanding by the reader of the financial statements. Management response The relevant part of the definition is included. Expanding this to mention elements which are not relevant to the Pension Fund could confuse readers.	X
Note 11h analysis of derivatives	The note states that there were no derivatives at 31 March 2022 which is consistent with our understanding of the Pension Fund’s investments. However, Note 1c includes an accounting policy for derivatives which in our view is not relevant to the reader of the financial statements. Management response The policy is still in place even though current derivative holdings are nil. It is anticipated that there will be holdings during the current financial year.	X

C. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Governance and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
<ul style="list-style-type: none"> Pooled investment vehicles (Profits)/losses on disposal of investments & changes in value <p>Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2022 and the valuation statements received from third party fund managers.</p>	6,001 -6,001		6,001	Not material
<ul style="list-style-type: none"> Cash deposits Current assets <p>The Pension Fund's Barclays bank accounts 70568538 and 13580830 with funds amounting to £7.4m are incorrectly disclosed as current assets not cash deposits.</p>		7,369 -7,369		Not material
Overall impact	-£6,001	£6,001	£6,001	

C. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

There were no unadjusted misstatements from the prior period.

Impact of prior year unamended disclosures

The table below provides details of disclosure misstatements identified during the audit which were not amended in the final set of financial statements.

Disclosure	Audit recommendations	Update
Financial instruments	<p>Nature and extent of risks arising from financial instruments makes reference primarily to discount rate changes and funding levels. Standard areas of risk in relation to financial instruments such as market risk, price risk, interest rate risk, currency risk and credit risk have not been included and quantified. The pension fund have included narrative disclosure in the revised financial statements but no quantification as is expected by the Code.</p> <p>Management response</p> <p>The financial instruments note will be reviewed ahead of the production of next year's accounts and consideration will be given whether anything meaningful can be added to the note.</p>	Appropriate disclosures have been made in the 2021/22 financial statements.
Key management personnel	<p>Per the Code, key management personnel disclosure of post employment benefits within related parties should be measured on an IAS 19 basis. The current disclosure of employer pension contributions paid is not in compliance.</p> <p>Management response</p> <p>The issue with the key management personnel note was identified late in the audit and was not considered to be significant. The figures for next year will be calculated on an IAS 19 basis.</p>	Our testing of key management personnel has not identified similar issues.

D. Fees

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

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£38,456	£44,456
Total audit fees (excluding VAT)	£38,456	£44,456

Details of variations in final fees from the proposed fee per the audit plan

We have provided a reconciliation of audit fees below

- final audit fees (£44,456)
- fee variation for technical accounting issues (-£6,000)*
- fee variation for remote working (-£2,500)**
- increased FRC challenge (-£3,125)
- ISA 540 Revised (-3,600)
- additional journals testing (-£2,000)
- actuarial pension disclosure testing (-£2,000)
- pension level 3 valuations (-£2,188)
- audit scale fees (£23,043)

*Discussed and agreed with the Director of Finance

**As reported in our Audit Plan presented in June we noted a potential fee variation to reflect inefficiencies of remote working. We have delivered the audit remotely.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Other [IAS 19 letters to auditors in 2021/22]	£8,750	£16,000
Total non-audit fees (excluding VAT)	£8,750	£16,000

We have provided a reconciliation of non-audit fees below

- fees per audit plan (£8,750)
- fee variation for IAS 19 work (+£7,250)
- fees per financial statements (£16,000)

Following a review of fees for IAS 19 assurances nationally, we have determined that the core work at all Funds should be charged at £5k with each specific response charged at £1k per IAS 19 letter. We receive eleven requests and therefore the proposed final fee is £16k. We will review our final costs before confirming this.



22 March 2023**Agenda Item: 7****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****INTERNAL AUDIT PROGRESS TERM 2 2022-23 AND TERM 1 PLAN 2023-24****Purpose of the Report**

1. To inform Members of the work carried out by Internal Audit in Term 2 of 2022/23.
2. To consult with Members on the Internal Audit Plan for Term 1 of 2023/24.

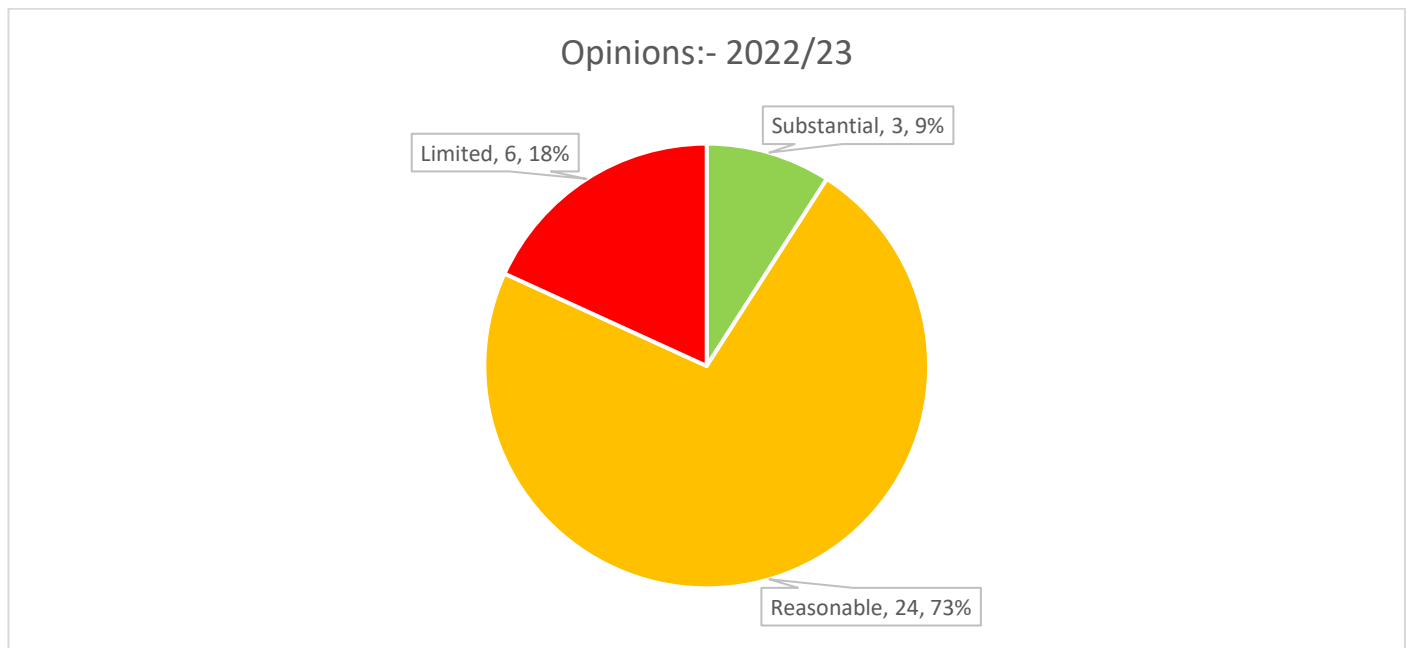
Information**Internal Audit's work in Term 2 - 2022/23 – August 2022 to November 2022**

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

Audit assurance

4. The opinion-based assurance work is a key contributor to the Head of Internal Audit's year-end opinion on the adequacy of the Council's arrangements for governance, risk management and control. **Chart 1** shows the cumulative distribution of opinions issued in 2022/23, to the end of Term 2.

Chart 1- Opinions to Term 2 2022/23



5. In terms of the work completed on the County Council's services and systems, **Chart 2** analyses the opinions issued in Term 2 - 2022/23 by service area and level of assurance.

Chart 2- Opinions for Term 2 2022/23

	LIMITED ASSURANCE	REASONABLE ASSURANCE	SUBSTANTIAL ASSURANCE
COUNCIL-WIDE		Action Tracking ICT Patching Outside Bodies Governance Update Fraud Payment Analysis	
CHILDRENS PLACE			
ADULTS		Adults Workforce Ombudsman Complaints	
CHIEF EXEC'S	Active Directory		
School Audits	4 Visit *	13 Visits	1 Visits

*The main reason for the Limited Assurance on school audits is the breakdown of the internal controls in relation to separation of duties and authorisation. This is due to the small number of staff involved, often only one office manager, who is able to generate and process transactions in relation to payroll, payments and expenses etc. Guidance and training is available to staff undertaking such functions from the Schools Finance Team.

6. The significant pieces of assurance work during Term 2 were the following:
- Continuous Assurance – to provide a monthly report to the Council's statutory officers on the application of internal control in key Council processes.
 - Action Tracking – to provide assurance over the implementation of recommendations and the actions taken by management.
 - Governance Update – to provide assurance over the progress with action taken by the Council to address the action plan within the AGS.
7. **Chart 1** includes schools audits undertaken by the Children's & Families' Finance Team.

Advisory input

8. Internal Audit continued to provide advisory input to developments across the Council. The following summarises the key areas of activity:
- Home for Ukraine – advice on internal controls to ensure the effective delivery of assistance and use of grant funding.
 - Household Support Grant – advice on internal controls and monitoring arrangements to disseminate the grant.
9. Internal Audit's advisory input ensures that timely advice is delivered and can influence subsequent actions. The engagements in advisory work help to maintain the influence the Section has to retain a proper focus on control issues and provides intelligence for subsequent planned assurance activity.

Counter-Fraud

10. Internal Audit pursued its pro-active programme, disseminating fraud awareness materials to alert departments and staff of fraud risks and scams that emerged during Term 2. The following summarises the key areas of activity:
- Counter Fraud – Fraud Week – dissemination of fraud awareness and fraud prevention materials across the Council to support the counter fraud agenda.
 - National Fraud Initiative (NFI) – coordination and review of matches with departments.
 - National and Local Fraud Alerts – screening and distributing to relevant sections alerts publicised by national fraud agencies.
11. In addition, Internal Audit advised in fraud investigation activities involving live cases outlined in the Annual Fraud Report.

Certification

12. Internal Audit also provides a certification function for a variety of grants received and distributed by the Council. During Term 2 the following grant claims were certified:
- Bus Operators Grant &
 - Platt Lane Accounts

Internal Audit Performance

13. **Appendix A** provides an update on the Section's performance in Term 2 against its key indicators. It includes the following charts to depict progress against the Term 2 Plan, expressed in terms of the following:
- Inputs – the number of audit days delivered against the Term 1 plan. Each segment in the chart represents ¼ of the Termly Plan.
 - Outputs – the number of jobs completed against the plan. Each segment in the chart represents ¼ of the Termly Plan.

➤ Productivity indicator – the target score is 1.

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

- Staffing resources – the team resources continued to be impacted by staff moving to interim roles to provide interim cover and will continue to impact in Term 1 2023/24. One Internal Audit Apprentice is progressing with professional training with the Institute of Internal Auditor. The other Internal Audit Apprentice has taken a new job and is leaving the team at the end of March 2023. We have started to seek replacements through the Apprentice scheme. Staffing productive days continue to be lower given the vacancies and current staff providing interim cover on a temporary basis until permanent recruitments have been completed. The Term 1 plan has been flexed to accommodate these changes.
- Assurance and Advisory activities – the completion of internal audit activity reflects the impact of staffing changes and is reflected in the agile approach adopted. Term 2 again demonstrates that the Team have continued to flex plans and provide advisory activities to support the immediate risks facing the Council. This has an impact on delivery of the planned assurance reviews, but these are kept under review for ongoing priority in subsequent plans, as identified in the Term 1 plan for 2023-24.
- Implementation rates for actions arising from audits has improved, and on average has now achieved the target of 75%, most notably with the Priority 1 actions from 2021/22 having the highest ever implementation rate of 87%. This was highlighted in the report to Committee in November 2022. The next update on this is scheduled for June 2023.

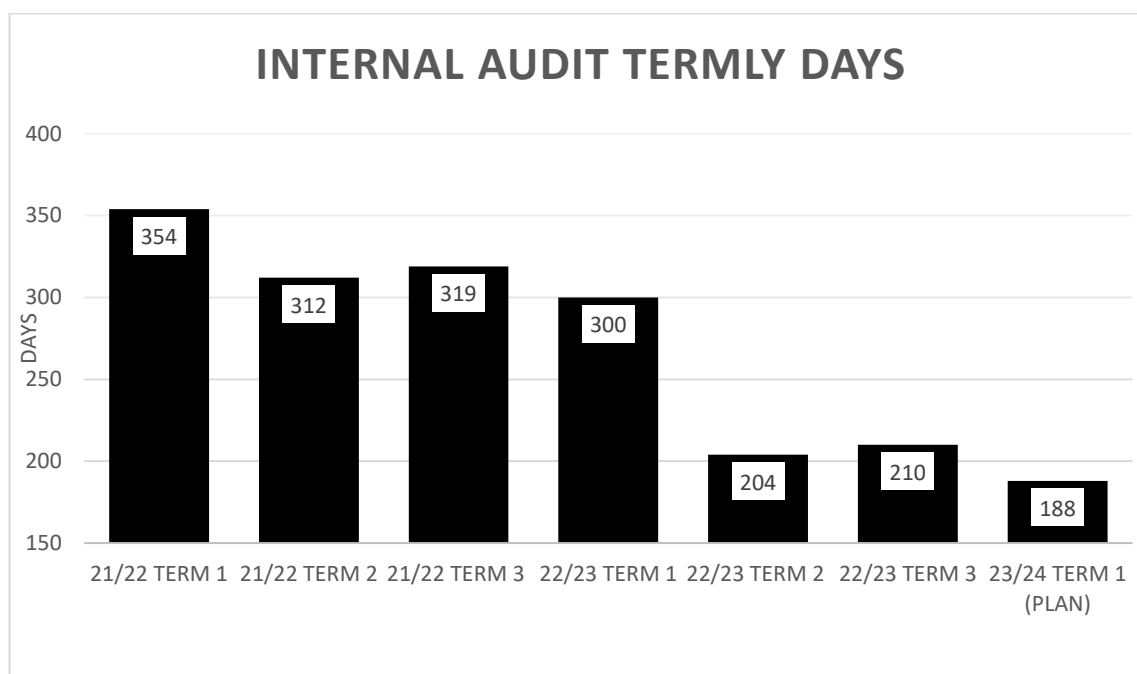
Proposed Internal Audit Plan for Term 1 - 2023-2024

15. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards, and using the methodology previously reported to Members.
16. Termly planning continues to be developed in an agile way allowing the precise scope and objectives for each audit assignment to be agreed at the time the audit is to commence. Detailed discussions prior to an audit commencing should identify other sources of assurance already available for the area in question, thereby clarifying the risks on which Internal Audit's focus should most impactfully be applied. At this planning stage, therefore, proposed topics for audit are expressed in terms of the broad rationale for their inclusion.
17. The Term 1 plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its system of internal control. The Section's aim is to complete enough work to express an overall, annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements.

18. **Appendix B** sets out details of the draft coverage by Internal Audit for Term 1, and it is summarised in the following table.

Assurance from Audit Coverage	Days	Outputs
Second Line Assurance work	35	3
Opinion Assurance	71	3
Advice / Consultancy Assurance	46	0
Counter Fraud Assurance	19	4
Certification Assurance	18	3
Total	188	13
External Clients (Notts Fire & Rescue Service)	20	
Grand Total	208	

19. The chart below shows the trend in the number of actual days delivered in recent terms, excluding the external clients.



20. The next Internal Audit update to Committee will cover details of the outcome of Internal Audit's work in Term 3 (December 2022 – March 2023).

Other Options Considered

21. The Internal Audit Team is working to the Public Sector Internal Audit Standards during 2022/23. This report meets the requirement of the Standards to produce a risk-based plan and to report the outcomes of Internal Audit's work. No other option was considered.

Reason/s for Recommendation/s

22. To set out the report of the Interim Chief Internal Auditor to propose the planned coverage of Internal Audit's work in Term 1 of 2023/24, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

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

Financial Implications

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

RECOMMENDATION

- 1) That the Committee notes the outcome of the Internal Audit work carried out in Term 2 – 2022/23 and the planned coverage of Internal Audit's work in Term 1 of 2023/24 be progressed to help deliver assurance to the Committee in priority areas.

Nigel Stevenson

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

For any enquiries about this report please contact:

Simon Lacey

Interim Chief Internal Auditor

Constitutional Comments (GR – 22/02/2023)

25. Pursuant to the Nottinghamshire County Council Constitution, this Committee has the delegated authority to receive and consider the recommendation within it.

Financial Comments (SES - 22/02/2023)

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

Background Papers and Published Documents

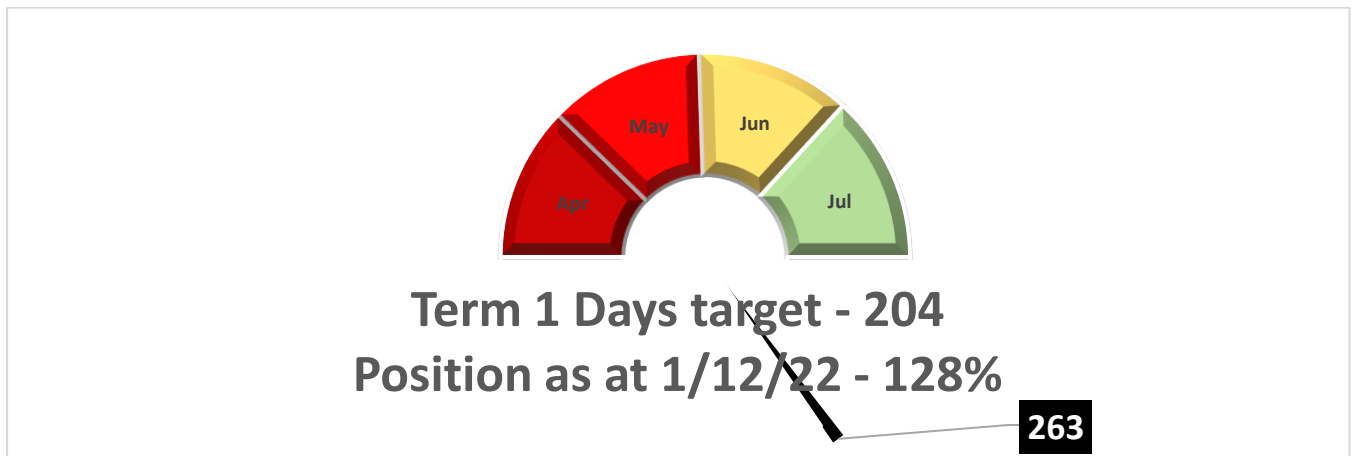
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

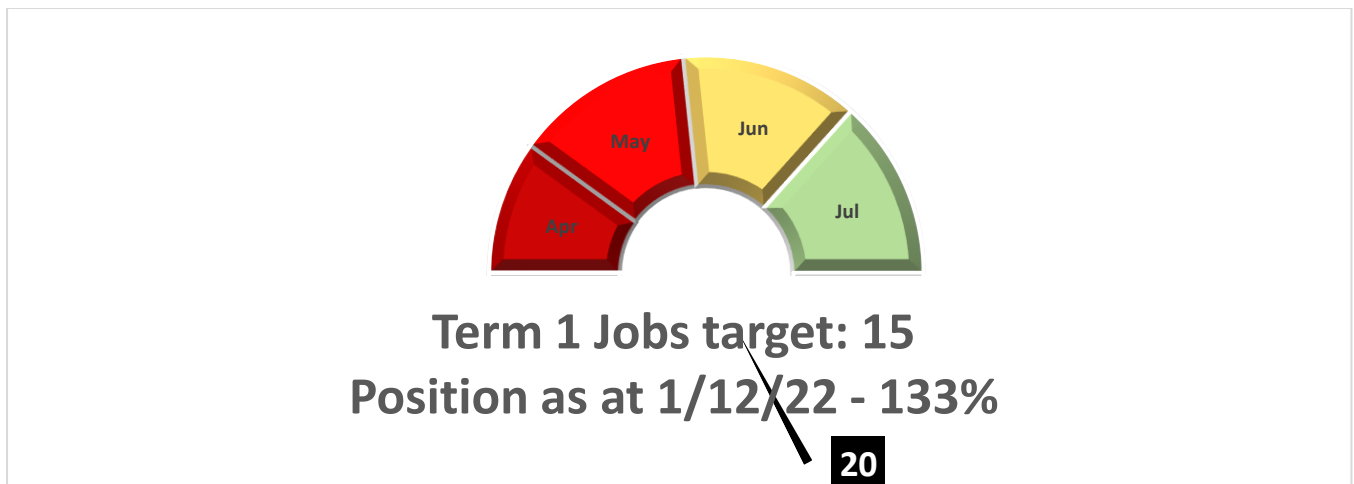
Electoral Division(s) and Member(s) Affected

- All

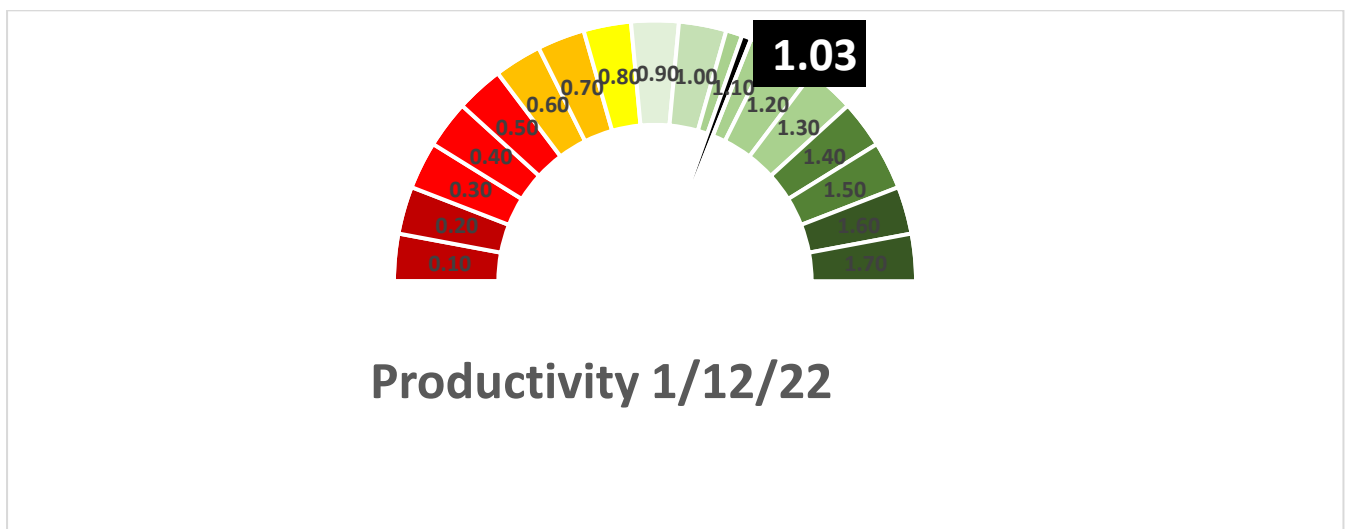
Term 2 – Inputs – Days Delivered



Term 2 – Outputs – Jobs Completed



Term 2 – Productivity Indicator



Key Performance Indicators

Performance Measure/Criteria	Target	Outcome in Term 2
1. Risk-aware Council		
Completion of Termly Plan – Days	90%	✓ 128%
- Jobs	90%	✓ 133%
Regular progress reports to: <ul style="list-style-type: none"> - Departmental Leadership Teams - Corporate Leadership Team - Governance & Ethics Committee 	1 per term 1 per term 1 per term	✓ Completed ✓ Completed ✓ Completed
Publication of periodic fraud/control awareness updates	2 per annum	✓ Annual Fraud Report – July 2022
2. Influential Audit Section		
Recommendations agreed	95%	✓ 100%
3. Improved internal control & VFM		
Percentage of Priority 1 & Priority 2 recommendations implemented (Position as of 30 November 2022 for 2021/22 actions)	75%	✓ 87% Priority 1 ✗ 72% Priority 2
4. Quality measures		
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Compliance achieved	✓ Interim Chief Internal Auditor's self-assessment against PSIAS for 2021/22
Positive customer feedback through Quality Control Questionnaire (QCQ) scores	Feedback good or excellent (where a score of 4 is excellent and a score of 3 is good)	✓ 3.75

Internal Audit Plan: 2023-24 - Term 1 (April 2023 - July 2023)										APPENDIX B
Area of Assurance Coverage	Priority Level (if risk assessed)	Job count	Other 3rd Line Assurance	Assurance from audit coverage and planned days					Potential scope or area of assurance coverage	
				2nd Line Assurance Role	Opinion Assurance	Advice/ Consultancy Assurance	Counter- Fraud Assurance	Certification Assurance		
Audit Risk Assessment - Assurance Requirements for Term 1				Rationale for Assurance Requirement						
Governance Framework										
Continuous Audit Assurance	H	1		20						Core process based : continued reporting to Statutory Officers of routine assurance that core processes are operating as intended, or to identify areas for management/audit attention.
Action Tracking	H	1			25					Follow-up work : six monthly review of the implementation of management actions agreed from previous audits
Assurance Mapping	H	1		10						Core process based : Completion of the annual assurance mapping exercise to capture assurance from across the Council to inform the Annual Governance Statement.
Annual Governance Statement	H	1		5						Core process based : Co-ordinate evidence gathering for the Annual Governance Statement and to draft the statement for 22/23
Counter-Fraud										
Counter Fraud - Pro- Active Counter Fraud - Progress Report	H	1						10		Counter fraud : Continuation of the counter fraud activity and report on progress with the implementation of actions and activity through the annual report and proactive engagement.
Pro-active counter-fraud – <i>NFI 2020-22 - Review of Matches and 2022-24 submissions</i>	H	1						4		Counter fraud : Review and report on the completion of recommended matches by the key contacts within departments for Cabinet Office.
Counter Fraud Alerts - network dissemination & review of training materials	H	1						3		Counter fraud : Review and dissemination of fraud alerts from national counter-fraud agencies. Review and update the Counter Fraud Training Material for dissemination across the Council to support International Fraud Week.
ACFS - Counter Fraud Case Reviews - financial irregularities	H	1						1		Counter fraud : Regular liaison to address concerns of misuse of direct payments, and other possible financial abuse involving service users
Certification										
Trading Standards Grants	H	1							12	Certification - Audit certificates for use of NTSB grant funding for Regional Investigation Team and operations covering three grants and multiple claims.
Household Support Grants	H	1							3	Certification - Audit certificate for use of the Household Support Grant expenditure
Homes for Ukraine Funds	H	1							3	Certification - Audit certificate for use of the Homes for Ukraine Funds
Property Sales	H	0				5				Intelligence based : Completion of the review of changes to procedures recommended within the previous audit to provide assurance over the operation of new controls.
Cabinet and Scrutiny Compliance	H	0				5				Intelligence based : Completion of the review of compliance with the new governance arrangement under the Cabinet and Scrutiny model to provide assurance and inform the AGS.
ICT Risk Plan - ICT Critical Systems Resilience	H	1				10				ICT Risk Based : Undertake a review of ICT critical systems to ensure functional resilience based on the current ICT risk assessment.
Consultants Engagements - retrospective waivers	H	0				4				Intelligence based : Commencement of a review in line with S151 for the use of consultants and the volume of retrospective waivers - following on from the indicators identified by the continuous audit assurance work
Procurement - Contract Management Framework	H	0				4				Intelligence based : Commencement of a review of compliance with the operation of the contract management system used across council to effectively manage contracts.
Property Compliance	h	1				8				Intelligence based : Continuation of work commenced for Vacant Property Management. Implementation of the revised property compliance processes following hybrid working and County Hall monitoring arrangements.
Use of Financial Waivers	H	0				5				Intelligence based : Completion of the review of the use and application of waivers following reports from procurement and alerts in relation to financial control from the continuous audit reporting.
Procurement to Pay	H	0				5				Core process based : Completion of the controls in relation to the process of payments from initiation to payment using data analytical techniques.
Sub-totals				35	71	0	18	18		

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Area of Assurance Coverage	Priority Level (if risk assessed)	Job count	Other 3rd Line Assurance	Assurance from audit coverage and planned days					Potential scope or area of assurance coverage
				2nd Line Assurance Role	Opinion Assurance	Advice/ Consultancy Assurance	Counter-Fraud Assurance	Certification Assurance	
Planning, reporting, client management									
Governance & Ethics Committee		0				16			Core Activity: Preparation of reports in accordance with the Governance and Ethics Committee annual work plan and attendance at meetings.
Client management		0				20			Core Activity: Planning and termly progress reports to Corporate Leadership Team.
Advice		0				10			Core Activity: Advice to client on financial and other controls, on request.
Sub-totals				0	0	46	0	0	
Grand Totals		13		35 188	71	46	18	18	
Forward Plan for assurance in subsequent Terms									
PFI - arrangements for the exit	H								Intelligence based: Arrangements in place for the completion, exit and hand back of arrangements under PFI schemes .
Culture	H								Core process based : follow-on from previous review of procedures, guidance and protocols - potentially to link in with other 3rd line assurance.
Thematic Review of Schools Finances - NAO Sustainability	H								Intelligence based: Undertake a review of processes within schools based on risks emerging from the NAO guidance and sustainability.
Contract Management	H								Intelligence based: Undertake a review of newly implemented processes to drive and support the VFM Agenda.
Budget Setting & MTFS	H								Intelligence based: Undertake a review of robustness and consistency of budget setting processes and assumptions.
Social Care - Future Needs & Impact	H								Intelligence based: Undertake a review of intelligence and data analytics used to form a view of future needs with comparison of practices nationally within Adults and Children's.
Asset Management	H								Intelligence based: Undertake a review as part of smarter working the management of assets and the realisation of capital receipts.
ICT Networks	H								ICT Risk Based: Undertake a review of the processes for establishing and the robustness of networks WAN/LAN.
Use of Agency Staffing	H								Intelligence based: Undertake a review of the use of agency staffing contracts across the Council and especially in high use areas.
Regeneration Relationships	H								Intelligence based: Undertake a review of relationships with developers and economic developments at a Local and national Level.

22 March 2023**Agenda Item: 8****REPORT OF SERVICE DIRECTOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****GOVERNANCE UPDATE****Purpose of the Report**

1. To inform Committee of the progress being made with the Governance Action Plan for 2022/23.

Information

2. The Accounts and Audit (England) Regulations 2015 require the Authority to publish an Annual Governance Statement (AGS) along with its Statement of Accounts. The focus of the AGS is to assess the extent to which the Council's Local Code of Corporate Governance has been complied with over the course of a financial year, along with an assessment of the most significant governance issues the Council is dealing with. This gives rise to an annual Governance Action Plan.
3. The Council continues to review progress against the action plan on a regular basis throughout the year. This ensures the AGS is used as a live document, contributing towards maintaining an appropriate, strategic focus on the Council's ongoing governance arrangements.
4. This latest update identifies the following as the most significant governance issues for the Council.

Issue	Comment
Cabinet/Scrutiny model of corporate governance	Full Council at its meeting on the 31 st March 2022 approved a revised model of governance which was implemented following the Annual General Meeting on 12 th May 2022. It was agreed that the member working group would remain in place to deal with any issues arising and undertake a review of the operation of the new model after 12 months. The member working group has now been reconvened for March 2023 to consider the operation of the new governance model and make any recommendations for consideration at Full Council at its meeting in May 2023.

Issue	Comment
Devolution	<p>On 30 August 2022, Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council (the Constituent Councils) signed a £1.14 billion devolution deal with the Government. The signing of the deal will, subject to relevant approvals, consultation and primary and secondary legislation passing through Parliament, establish the first ever Mayoral Combined County Authority in the country.</p> <p>To progress the area's devolution deal, under the Levelling-up and Regeneration Bill (LURB), a consultation was required on the draft East Midlands Combined County Authority (EMCCA) Proposal. Full Council agreed on 4 November 2022, to formally consult on the draft proposal with the residents and other stakeholders of Nottinghamshire and the wider EMCCA area, in partnership with other Constituent Councils.</p> <p>The consultation ran for a period of eight weeks, from 14 November 2022 to 9 January 2023. The Constituent Councils are now considering consultation outcomes and are seeking approval of a revised draft proposal to Government at their Full Council meetings in March 2023. The timescale for submission of the Proposal to Government is dependent on the passage of the LURB through Parliament and timescales could be further impacted by any further changes to the Bill, which would need to be considered and may require further amendments to the Proposal.</p> <p>A monitoring officer working group is working thoroughly through the governance and constitutional matters in respect of the combined county authority.</p>
Climate change	<p>At its Annual General Meeting on 27/5/2021, the Council declared a Climate Emergency, and tasked the Transport and Environment Committee to drive forward measures to achieve the Council's commitment to achieving carbon neutrality in all its activities by 2030. Following the move to a Cabinet system the Cabinet Member for Transport and Environment has subsequently received a number of reports on progress including reviewing the Corporate Environment Policy to incorporate the 2030 target noted above, receiving the Councils Greenhouse Gas Report for 2019/20, and agreeing projects to be funded through the Green Investment Fund.</p> <p>Furthermore, work continues with the development of a carbon reduction plan due to be published in Spring 2023, input into the Corporate Property Strategy review and design standards and supporting Highways & Transport colleagues to green the internal fleet. Departmental working groups are now established, and the Employee Green Initiatives Group has been relaunched and supported on an ongoing basis. A Carbon Literacy Training package has been developed and offered to all Members and Officers, and work continues to embed climate change impacts within all Council decisions.</p>
The transformation agenda	<p>We have made progress in delivering on a number of projects within the current transformation programmes. Where delivery is delayed, we have appropriately escalated risks to identify mitigating actions or</p>

Issue	Comment
	<p>to agree risk tolerance. Highlight reporting has been re-established and reports to Corporate Leadership Team on a quarterly basis. Transformation and Change Group will continue to monitor the benefits / impact of projects implemented and support transfer to 'business as usual'. Alongside this, we are working to ensure that the programmes support delivery of the Council's refreshed Annual Delivery Plan for 2023/24, which articulates the action we will take in year to deliver on the Nottinghamshire Plan ambitions.</p> <p>We continue to work to develop and embed new and best practice approaches to effectively deliver and embed change and transformation.</p>
Financial resilience and sustainability	<p>The recent significant increases in inflation and specific increases in external costs for essential services continues to impact on the Council through additional budget pressure bids. The importance of effective management of the most volatile elements of the annual budget is heightened and remains a key area of focus. The Medium-Term Financial Strategy (MTFS) continues to be updated and reported regularly. Maintaining the flow of transparent, financial data for Councillors remains a key priority.</p> <p>The Period 10 monitoring report identifies a forecast in-year underspend of £1.8m (0.3% of the Council's Net Budget Requirement) as the management actions put in place following a forecast overspend earlier in the year take effect. This is a changing picture and the impact into next year and upon our MTFS are being constantly assessed.</p> <p>Full Council approved the Budget for 2023/24 on 9 February 2023. This set out the 4-year MTFS funding gap of £30.8m, with a balanced budget in 2023/24 and 2024/25. This followed a review of pressures and inflation together with mitigations and efficiencies. The report set out the assumptions underlying the MTFS and followed public consultation and review by Overview Committee through the year. The level of contingency and reserves were agreed in light of a full review of the risks inherent within the MTFS.</p>
People Strategy and the Nottinghamshire Way	<p>A Workforce Review has been commissioned to identify key risks and issues across the Council in relation to workforce and actions to address these. This work is being progressed through the Member Budget Panel looking at Workforce. The outcomes will be used to support service redesign and develop a new operating model for the Council. This will be enabled by the development of a new Workforce Strategy to ensure that we have cost effective, sustainable resourcing strategies and are able to recruit and retain staff and develop the skills we need. The next phases of the Nottinghamshire Way programme will support development of the culture and ways of working we require and engage staff and managers to ensure sustainable service delivery and delivery of the priorities set out in the Nottinghamshire Plan.</p>
Adult Social Care and Health reforms	<p>Adult Social Care reform and expected requirements were set out in detail for Cabinet in July 2022. Some aspects of Adult Social Care national reform guidance are now delayed following the Government's Autumn statement on the 17th of November 2022. Whilst the Council</p>

Issue	Comment
	<p>awaits more detailed direction on the delays from the Department of Health and Social Care (DHSC), it is anticipated it will only affect charging reform implementation, with all other aspects of reform continuing therefore the estimated cost of the reforms and resource requirements still present significant risks for the Council.</p> <p>Alongside this, the introduction of a new Care Quality Commission (CQC) led assurance and inspection regime brings a reputational risk for the Council. To mitigate against this, a Quality Assurance Framework is being developed for Adult Social Care and work is underway to complete a Local Authority Self-Assessment and Information Return (LASAIR) for Quality Assurance readiness which will be submitted for peer review by ADASS (East Midlands) in February 2023.</p> <p>The continued pressures and lack of capacity in the care workforce will be reflected in the self-assessment as this directly impacts on the Council's ability to meet its statutory duties under the Care Act and will have a direct influence on any CQC future rating. Positively two recent value-based recruitment campaigns have attracted a lot of interest to mitigate against current internal vacancies; and the £1 per hour increase in September 2022 for the home care and supported living care market is showing signs that the increase in pay to the external workforce is having a favourable affect in staff retention.</p>
Demand for care and support	<p>In Sept 2022 additional funding of an extra £1 per hour for homecare and supported living providers was implemented, with early indication that the hours of care delivered to people are increasing, although not significantly enough for the right service to be available at the right time for everyone needing care and support.</p> <p>The system continues to be impacted by high demand for services with people waiting for home care, either in the community or waiting to be discharged from hospital. This has been further exacerbated by Nottinghamshire ICS being one of six ICS's in England to be in National escalation for hospital discharge, which is adding pressure across services.</p> <p>The Council has a significant waiting-list for care and support which continues to present a risk to the individuals concerned and impacts on wider Council services such as an increase in enquiries and complaints. However there have been successful recruitment campaigns recently for roles at an unqualified level, which has improved our workforce vacancy rates. The external market is also reporting that they are experiencing improved recruitment, which has shown a slight increase in hours of care and support delivered.</p> <p>All the risks identified are set out in a comprehensive departmental risk register.</p>
Risk management	<p>An action plan has been developed to address the scope for improvement in the Council's risk management arrangements, following the external 'health check' review in 2021. A clearer</p>

Issue	Comment
	distinction is being drawn between the management of operational and strategic risks, presenting the opportunity to link risk management through to strategic planning and reporting in a more impactful way. Due to operational issues the work on the update was delayed for a short period, however it has now restarted with assistance from Zurich, and will culminate in a revised policy and strategy for risk management along with a revised risk management report and supporting risk registers.
Pace of implementing agreed audit recommendations	Six-monthly updates to the Governance & Ethics Committee continue to identify concerns with the pace of implementation for agreed actions. Focused action by the Internal Audit Team has driven improvements to halt the decline of the implementation rate for the implementation of Priority One actions. The Committee and the Internal Audit Team continue to focus on driving through agreed improvements to the Council's control framework as quickly as possible and continue to monitor both Priority One and Priority Two implementation rates.

5. Corporate Leadership Team colleagues have been consulted with in compiling the above list of issues which continue to represent the most significant governance issues on which the Council needs to focus. CLT colleagues have provided insight to these governance issues by considering the following:
 - Colleagues' awareness of significant governance issues being dealt with by senior managers in their departments – to identify whether some issues should be added to, or removed from, the list. Alternatively, colleagues may be aware of a more specific or emerging development within one of the areas listed, which should require a refocus of the Council's response.
 - Reference to the Council's [Local Code of Corporate Governance](#), as an aid to considering whether colleagues are aware of any emerging issues within the areas the Code covers.
6. An important part of the AGS is its Action Plan, and this should also be refreshed following each update. The Action Plan for 2022/23 is set out in **Appendix 1**, showing the progress that has been identified through consultation with relevant managers. Actions that were agreed as completed as part of the previous update have now been removed.

Other Options Considered

7. None – the Council has a single governance action plan and has determined to receive regular updates on progress against it.

Reason/s for Recommendation/s

8. To enable Members of the Committee to contribute to the development and review of the Council's governance framework.

Statutory and Policy Implications

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

Whilst there are no specific implications arising from the content of this report, the Council's governance framework spans all of these areas and the action plan is targeted at strengthening governance in specific areas where the opportunity for improvement has been identified.

RECOMMENDATION

- 1) That Members note the actions taken to update the governance issues raised in this report.

Nigel Stevenson

Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Simon Lacey, Interim Chief Internal Auditor

Constitutional Comments (EKH – 02/03/2023)

10. The recommendations fall within the remit of the Governance and Ethics Committee.

Financial Comments (SES – 22/02/2023)

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




Background Papers and Published Documents


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

- None

Electoral Division(s) and Member(s) Affected

- All

Planned Action	Officer responsible	Target date for completion	Progress status
1. Modelling sustainable savings plans –approval of ‘Options for Change’ cases for implementation.	Service Director – Transformation & Change	Spring/summer 2022	 Complete
Transformation and Change have coordinated and supported the budget setting process, with transformation activity making a significant contribution to mitigating known budget pressures. T&C Group have supported identification of additional short term efficiency options, totalling circa £1.0m, through ‘budget impact sprints’ in Summer 2022. Alongside this, we have also successfully rolled out a number of projects which continue to test innovative and evidence-based approaches, to enhance our early help and preventative offer. These projects are designed to have impacts in the longer-term by ensuring residents get the right help at the right time, to prevent their needs escalating.			
2. Planning & Performance Management Framework: review the framework in line with the development of the new Council Plan	Group Manager – Transformation & Change	March 2022	 Complete
In May 2022, we published the Council’s first Annual Report and Annual Delivery Plan. We have established quarterly assurance reporting processes, to consider our progress against delivery of the Annual Delivery Plan. This is reported to CLT every quarter and to Overview Committee and Cabinet every six months. The Q4 report becomes our Annual Report, looking back on the year and what has been delivered and impact. The 2021/22 Annual Report was approved by Cabinet in May 2022. Service Plans are developed, to link action at operational level to the ambitions of the Nottinghamshire Plan and Annual Delivery Plan commitments and to explore key strengths, areas for development, opportunities and threats.			
3. Risk management: agree and implement a revised approach to risk management for the Council	Group Manager – Assurance	March 2023	 In progress
The work is nearing completion, with the final report to be presented Governance & Ethics Committee shortly. The report will highlight progress against the risk management approach action plan and provide an update on the work undertaken with the support of Zurich. This will include an update on the developments with the refreshed approach to risk management and the progress with implementation of a revised staffing structure to undertake this work going forward.			

Planned Action	Officer responsible	Target date for completion	Progress status
4. Data quality in Mosaic: greater priority given to addressing issues highlighted by routine reporting	Corporate Director – Adults Social Care and Public Health.	March 2023 (to initiate project and develop long term resourcing options – the full Data Quality Strategy and Action Plan will not have been delivered by the end of March 2023.)	 In progress
<p>In the short term, temporary Service Improvement Team project management resource has been identified until the end of March 2023 to initiate delivery of the agreed Data Quality Strategy and Action Plan. Good progress has been made including the delivery of a strategy document, approval of some agreed design principles (co-produced with the workforce), and the delivery of a Team Manager dashboard and a Long-Term Reviews dashboard. Although the delivery work continues, a number of risks about the ongoing resource to manage and maintain the department's data reporting and data quality business requirements have been identified and logged on the department's risk register. The Adult Social Care and Health Performance Board on 7 December gave permission for a resourcing options appraisal to be developed and brought back to them for consideration.</p>			

22 March 2023**Agenda Item: 9****REPORT OF THE MONITORING OFFICER****NEW CODE OF CONDUCT FOR COUNCILLORS AND CO-OPTED MEMBERS****Purpose of the Report**

1. To update Committee on the work of the Members Working Group reviewing the Local Government Association (LGA) Model Code of Conduct for Councillors (the Model Code) and its adaptation for use by Nottinghamshire County Council as its Code of Conduct for Councillors and Co-opted Members (the Nottinghamshire Code).
2. To seek approval in principle of the draft Code attached to the report as **Appendix 1** and to recommend its adoption to Full Council, together with a plan for training and familiarisation for Councillors, Co-opted Members and relevant Officers.

Information

3. In January 2019 the Committee on Standards in Public Life (CoSPL) made recommendations regarding Local Authority standards following a period of review and consultation which it had previously carried out. One of the CoSPL recommendations was that a national model code of conduct should be developed to assist with improving consistency across Councils of their Codes of Conduct, against which member standards are assessed.
4. Following publication of the above recommendations, the LGA undertook a process of developing a Model Code and associated guidance. A draft was developed and consulted upon by the LGA during June 2020, which then resulted in a final published Model Code in December 2020. Subsequent amendments were made to the Model Code in January and May 2021.
5. Members may recall that work was undertaken with a cross party members working group (MWG) before the last County Council elections in 2021 to review the new Model Code. That working group comprised the former Chairman and Vice Chairman of the Governance and Ethics Committee, Group Business Managers as well as the two non-aligned independent members of the Council at that time.
6. The original working group met during February and March 2021 to consider different aspects of the Code and in particular, whether there were any matters from the Council's current Code of Conduct which would be helpfully retained for inclusion in the new Code.

7. As a result of their work, the MWG reached the preliminary conclusion that it would be advisable for the Model Code to be adopted by the Council with only a few minor local variations. Those variations were to retain wording from the existing Nottinghamshire Code where it was felt that the Model Code did not adequately address those issues and/or where the wording provided useful and well established provisions which it was felt, would improve upon the wording in the Model Code.
8. This approach to adopting either wholly or largely the same wording as the Model Code means that the Council can rely more closely on the LGA guidance and will be more consistent with many other authorities whose codes also follow the Model Code.
9. The work was then paused whilst the MWG awaited publication of the LGA guidance to accompany the Model Code. This guidance was published in the July 2021, shortly after the Council elections in May 2021. After the summer recess, in September 2021, a decision in principle was taken that the Council should move to the Executive form of governance arrangements and as a result, the work relating to the Nottinghamshire Code was paused whilst officers worked at pace to develop proposals for Executive arrangements, which were subsequently approved at meetings of Council in March and May 2022.
10. Following a period of settling in of the new executive arrangements after their implementation on 12th May 2022, officers were able to refocus their attention on the Code of Conduct once more. The MWG established to consider the change in governance arrangements then continued this work and met in October 2022 and again in early March 2023. In addition, officers met with the Council's 3 Independent Persons on 22 February, to discuss the proposed changes to the Nottinghamshire Code as well as the general approach to complaints handling and received helpful feedback which was reported to the next MWG meeting.
11. The working group were provided with the latest information which the previous MWG had considered, as well as additional information, including the following:
 - a. The Council's current Code of Conduct for Councillors and Co-opted Members
 - b. A version of the Model Code marked up to show where minor local adjustments were proposed;
 - c. LGA guidance for the Model Code
 - d. A flowchart relating to the Council's proposed approach to complaints handling
12. The working group agreed with the position adopted by the previous working group that the Council should in the main follow the Model Code drafting. However, some issues were raised about specific points, including the way in which the issue of Disrepute was addressed in the Model Code. Slight adjustments to that definition have been made with the aim of ensuring that members feel confident that inadvertent comments made during the cut and thrust of debate would not trigger a breach of the Code under that particular principle.
13. The areas in which the proposed new Nottinghamshire Code departs from the Model Code are shown in tracked changes in the Document attached as **Appendix 1**:
14. The MWG were also asked to consider whether the LGA guidance necessitated any further changes to the draft Nottinghamshire Code. A view was taken that as the proposal was to

adopt the Model Code only with minor local variations, it would not be necessary to make any further changes.

15. Officers also indicated that the LGA had also developed extensive guidance for handling complaints made under the LGA Model Code. As a result, it was considered appropriate to review the Council's own complaints handling arrangements in light of that guidance and the changes in governance arrangements and to ensure that the arrangements were fit for purpose moving forward. Given the complexity and length of the guidance it was felt that although the Council process would benefit from additional stages being incorporated, a simplified approach to setting out those stages may be more helpful at this time both for members and the general public.
16. The MWG reviewed a draft flowchart setting out the key procedural aspects for complaints handling. It was agreed that this would be a useful way of setting out the key elements of the procedures together with timescales for relevant stages (subject to amendment in appropriate circumstances at the Monitoring Officer's discretion). The draft flowchart is appended at **Appendix 2** and subject to members agreement, will form the basis of new procedures to be developed by the Monitoring Officer under the proposed delegations set out below.
17. As part of the consideration of the Code, a tiered approach to managing and approving documentation relating to the Code is now proposed. The main Nottinghamshire Code clearly requires approval by Full Council as part of the Constitution. However, the Protocols that sit beneath the Code fall within the terms of reference of Governance and Ethics Committee and as they are more likely to require updating this seems to be the most appropriate level at which approval of those matters should sit.
18. Beneath the Protocols, it is proposed that any procedures or guidance for Members or Officers for managing issues relating to the Code or Protocols should be delegated by Committee to the Monitoring Officer, in consultation with the Chairman of Governance and Ethics Committee where appropriate. It is suggested that this proportionate approach enables greater responsiveness and flexibility in how documents are developed and approved to underpin the mechanisms to support the Code.

Training

19. The proposal to adopt the draft Nottinghamshire Code will require compulsory training by Members, which is enshrined as part of the terms of the Model Code. This will mean that the Monitoring Officer will want to ensure that members have received appropriate training on the way in which the Nottinghamshire Code works. The Independent Persons also expressed a desire to be involved in that training to give their perspectives and explain a bit more about their roles within the process.
20. It is therefore proposed that appropriate training be arranged for members which must be undertaken as soon as practicable.

Declarations of Interests

21. The Model Code also contains different requirements regarding the disclosure of "other interests". These are certain types of interest which do not meet the legislative test for a Disclosable Pecuniary Interest (DPI) but which may create for example, a conflict of interest

or a perception of bias if a decision maker failed to disclose such an interest and continued to be involved in the decision making process where it was inappropriate to do so.

22. This will result in the need for all members to review their declarations of interest form to ensure that all relevant interests are appropriately declared in light of the requirements of the revised Nottinghamshire Code. Colleagues in Democratic Services will write to members in due course asking them to update their forms and offering support and guidance as appropriate.

Other Options Considered

23. The Council could choose not to adopt the Model Code but this would go against the clear recommendations of the CoSPL and the considerable work of the LGA to develop a Model Code in light of extensive consultation with Councils across the country.
24. The views of the members working groups were sought about the best approach to the issues within the Model Code and the Council's existing Code in order to reach the proposals set out in the report. Given the recommendations of the CoSPL one of which was to try to achieve greater consistency between Council's Codes of Conduct, it is suggested that the recommendation of the working group be endorsed and recommended to Council for adoption.

Reason/s for Recommendation/s

25. To maintain a modern and updated Code of Conduct for Councillors and Co-opted Members in a way which is largely consistent with the LGA Model Code.

Statutory and Policy Implications

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

Financial Implications

27. There are no direct financial implications arising from the report other than potential costs associated with training requirements which can be contained within available budgets.

Consultation

28. Members working groups were consulted throughout the process to ensure that representative views of members across the political spectrum were taken into account in arriving at the end product. The LGA model Code was also subject to consultation during its development by the LGA.

Crime and Disorder Implications

29. The proposed draft Nottinghamshire Code reflects the legal requirements relating to the disclosure of DPIs imposed by statute, breach of which may constitute a criminal offence.

Data Protection and Information Governance

30. The proposed draft Nottinghamshire Code reflects the requirement for members to maintain the confidentiality of information entrusted to them in their role as Councillors.

Public Sector Equality Duty implications

31. In coming to a decision, the Council should have regard to the Public Sector Equality Duty under the Equality Act 2010. In respect of this decision, it is not considered that there are any disproportionate impacts on any particular groups arising from the recommendations within this report.

Implications for Residents

32. The Code of Conduct for Councillors and Co-opted members provides a framework against which standards of conduct by members will be assessed. Residents may make complaints in the event they believe that the Code may have been broken and the Council has arrangements in place to assess those complaints under the Code using other tools to assist in that process where appropriate, including relevant guidance.

RECOMMENDATIONS

- 1) That Committee recommends to Council the adoption of the revised draft Nottinghamshire Code attached at Appendix 1
- 2) That appropriate mandatory training be arranged for members, to be completed as soon as practicable.
- 3) That members review their declarations of interests following notification by Democratic Services.
- 4) That authority be delegated to the Monitoring Officer to develop, amend and implement guidance and procedures as may be necessary to sit alongside the revised Nottinghamshire Code, in consultation with the Chairman of Governance Committee where appropriate.

MARJORIE TOWARD
MONITORING OFFICER AND SERVICE DIRECTOR CUSTOMER, GOVERNANCE AND EMPLOYEES

For any enquiries about this report please contact:
Heather Dickinson, Group Manager, Legal, Democratic and Information Governance
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Constitutional Comments (CEH 03.03.23)

33. Governance and Ethics Committee has the authority to consider the recommendations within the report.

Financial Comments (SES 07/03/2023)

34. There are no specific financial implications arising directly from this report. Any potential costs associated with training requirements can be contained within existing budgetary provision.

Background Papers and Published Documents

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

- [Local Government Ethical Standards January 2019 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) (Published)
- [Guidance on Local Government Association Model Councillor Code of Conduct | Local Government Association](#) (Published)
- [Guidance on Member Model Code of Conduct Complaints Handling | Local Government Association](#) (Published)
- Report to Governance and Ethics Committee 25 November 2020 [Committee report template \(with guidance\) \(nottinghamshire.gov.uk\)](#) (Published)
- Report to Governance and Ethics Committee 6 January 2021 [Blank committee report template \(nottinghamshire.gov.uk\)](#) (Published)

Electoral Division(s) and Member(s) Affected

- All

Appendix 1

CODE OF CONDUCT FOR COUNCILLORS AND CO-OPTED MEMBERS

INTRODUCTION

1. The public is entitled to expect the highest standards of conduct from all Councillors and co-opted members of the County Council. Section 27(2) of the Localism Act 2011 requires all councils to have a local Councillor Code of Conduct.
2. Following the Committee on Standards in Public Life Report recommendation regarding a national Model Councillor Code of Conduct, the Local Government Association (LGA) has developed ~~this~~a Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. Authorities are invited to adopt it in whole or in part. Nottinghamshire County Council has opted to adopt it as a whole.
3. The Code sets out the standards of behaviour that is expected from Councillors and co-opted members of the County Council. In particular, Councillors and co-opted members should act in an open and transparent manner and should not do anything which would prejudice the reputation of the Council. It is the responsibility of individual Councillors and co-opted members to comply with the provisions of the Code. Failure to do so may result in sanctions being applied. This Code should be read in conjunction with the Guidance that sits alongside the Code. Advice is also available from the Council's Monitoring Officer.

DEFINITIONS

- 1.4. For the purposes of this Code of Conduct, a "councillor" means a member or co-opted member of a local authority or a directly elected mayor. A "co-opted member" is defined in the Localism Act 2011 Section 27(4) as "a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee".

- 2.5. For the purposes of this Code of Conduct, "local authority" includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities- and "the County Council" means Nottinghamshire County Council.

PURPOSE OF THE CODE OF CONDUCT

3.6. The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The [LGA-County Council](#) encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillors and local government.

GENERAL PRINCIPLES OF COUNCILLOR CONDUCT

4.7. Everyone in public office at all levels; all who serve the public or delivery public services, including ministers, civil servants, councillors and local authority officers' should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles [\(see appendix A\)](#).

5.8. Building on these principles, the following general principles have been developed specifically for the role of councillor.

6.9. In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

7.10. In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

APPLICATION OF THE CODE OF CONDUCT

8.11. This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

9.12. This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- You misuse your position as a councillor
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor.

~~40.13.~~ The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings, [including site visits](#)
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

~~14.~~ You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

~~41.15.~~ [It may sometimes be difficult to distinguish between whether you are acting in a public or private capacity, for example on social media and when attending public events. You are an ambassador for the County Council whenever you are in public, whether on social media or in person. You should bear in mind at all times and in all situations the obligations you have under this Code.](#)

~~42.16.~~ Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. [Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.](#)

STANDARDS OF COUNCILLOR CONDUCT

~~43.17.~~ This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

~~44.18.~~ Guidance is included to help explain the reasons for the obligations and how they should be followed.

GENERAL CONDUCT

1. Respect

As a councillor:

- 1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

~~15.19.~~ Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You ~~should~~will not, however, subject individuals, groups of people or organisations to personal attack.

~~16.20.~~ In your contact with the public, you ~~should~~will treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

~~17.21.~~ In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider~~ed~~ or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

~~18.22.~~ The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others. This may also include coercive behaviour.

~~19.23.~~ The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

20-24. Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

24-25. The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

22-26. Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

- 4.1 I do not disclose information:**
- a. given to me in confidence by anyone**
 - b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made by a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

23-27. Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential matter. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

24-28. As a councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered intentionally dishonest and/or deceitful can bring your local authority into disrepute.

25-29. You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct. The law affords a high degree of protection for the right to freedom of expression for Councillors but under the Human Rights Act 1998, proportionate limits or restrictions on these freedoms may be justified if prescribed by law (such as by way of this Code under the Localism Act 2011) and/or if necessary in a democratic society (article 10(2) of the 1998 Act highlights various factors relevant to this including the protection of reputation or rights of others).

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

~~26-30.~~ Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

~~27-31.~~ You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

~~28-32.~~ Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

~~29-33.~~ These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

~~30-34.~~ It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

PROTECTING YOUR REPUTATION AND THE REPUTATION OF THE LOCAL AUTHORITY

9. Interests

As a councillor:

9.1 I register and disclose my interests.

~~31-35.~~ Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority.

~~32-36.~~ Within 28 days of taking office, or a change in your circumstances, ~~Y~~you need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. Failure to do so is a criminal offence. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

~~33-37.~~ You should note that **failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence** under the Localism Act 2011.

~~34-38.~~ Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of ~~at least~~ £50 or more within 28 days of its receipt.
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.

~~35-39.~~ In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor, including offers made to family or friends, which could be viewed as securing and indirect benefit. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it and the gift could be donated to the ~~raise money for the Chairman's Charity~~, but you must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. When receiving hospitality, you should be particularly sensitive as to its timing in relation to decisions which the local authority may be taking affecting those providing the hospitality. If you are unsure, do contact your Monitoring Officer for guidance.

POLICIES, PROTOCOLS AND PROCEDURES

40. You will comply with the Council's adopted policies, protocols and procedures including:-

- a. Policies
 - i. Councillor Divisional Fund Policy and Guidance
 - ii. Equality and Diversity Policy
 - iii. ICT Policies and Councillor's ICT Acceptable Use Guidance
 - iv. Information Management policies
 - v. Travel and Accommodation Policy
- b. Protocols
 - i. Councillor Interests Protocol
 - ii. Councillors and Co-Opted Members — Protocol in relation to Gifts and Hospitality
 - iii. Councillors and Co-opted members Protocol for Use of Resources
 - iv. Social Media Protocol for Councillors

v. Protocol for Councillor and Officer relationships

vi. Protocol for involvement in outside bodies

c. Procedures/Schemes

i. Councillors' Allowances Scheme

ii. Disclosure and Barring Scheme checks procedure

iii. Procedure rules for meetings of Full Council and Committees

iv. Procedure for Dealing with Conduct Allegations

APPENDICES

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interest which fall within the categories set out in **Table 2 (Other Registerable Interests)**. [Failure to do so is a criminal offence.](#)

“**Disclosable pecuniary interest**” means that an interest of yourself, or of your partner if you are aware of your partner’s interest, within the descriptions set out in Table 1 below.

“**Partner**” means a spouse or civil partner, or a person with whom you are living as a husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’ you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter which you have a disclosable pecuniary interest.
5. Where [the County Council operates Executive arrangements of governance and](#) you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function you must notify your Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
- a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body included in those you need to disclose under Disclosable Pecuniary Interests as set out in **Table 1**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied.

9. Where a matter **affects** your financial interest or well-being:
- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where the County Council operates Executive arrangements of governance and you have a personal interest in any business of your authority and have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such a person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council – (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.

Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor's knowledge) – (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where – (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either – (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living with as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means share, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited within a building society.

Table 2: Other Registerable Interests

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You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - (i) exercising functions of a public nature
 - (ii) any body directed to charitable purposes or
 - (iii) one of whose principal purpose includes the influence of public opinion or policy (including any political party or trade union)

Within 10 Working Days

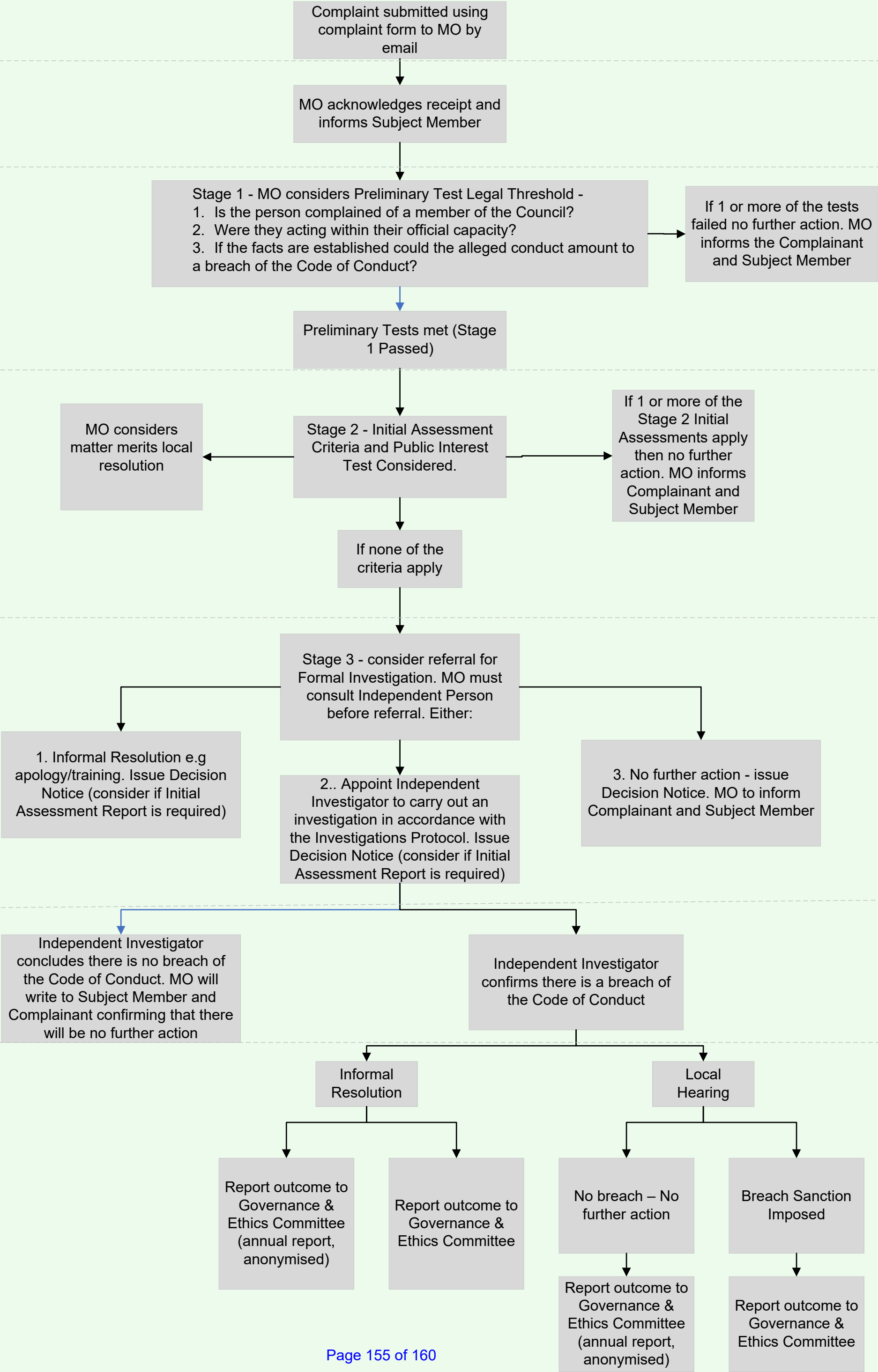
Complainant notified of outcome within 20 Working Days

Complainant to be notified of outcome within 28 Working Days

Within 28 Working Days

Investigation completed within 8 weeks

Normally takes place within 8 weeks of the decision to proceed



22 March 2023**Agenda Item: 10****REPORT OF THE SERVICE DIRECTOR, CUSTOMERS, GOVERNANCE AND
EMPLOYEES****WORK PROGRAMME****Purpose of the Report**

1. To review the Committee's work programme for 2022-23.

Information

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

Other Options Considered

4. None

Reason/s for Recommendation/s

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

Statutory and Policy Implications

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

RECOMMENDATION

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

Marjorie Toward

Service Director, Customers, Governance and Employees

For any enquiries about this report please contact:

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Constitutional Comments (EH)

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

Financial Comments (NS)

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

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

GOVERNANCE & ETHICS COMMITTEE – WORK PROGRAMME (as at 22 February 2023)

<u>Report Title</u>	<u>Brief Summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
22 March 2023			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Annual Audit Findings Report 2021/22	To consider the Annual Audit Findings	Nigel Stevenson	Glen Bicknell
Corporate Governance Update	To receive an update on progress against the Annual Governance Statement action plan for 2022/23	Nigel Stevenson	Simon Lacey
Internal Audit Term 2 (2022-23) Report and Term 1 Plan 2023-24	To review the outcomes of Internal Audit's recent work and consider proposals for planned coverage in the next term	Nigel Stevenson	Simon Lacey
Councillor Code of Conduct Review	To consider the findings of the working group	Marjorie Toward	Heather Dickinson
Update on Communication improvement's	To update the committee on the communication improvements raised via previous considerations of Ombudsman Report	Melanie Williams	Nicola Peace
3 May 2023			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Governance and Ethics Committee Annual Report	To consider the draft annual report	Nigel Stevenson	Simon Lacey
Statement of Accounts 2022-23 – Accounting Policies	To consider the draft annual report and recommend to full council for consideration	Nigel Stevenson	Glen Bicknell
Informing the risk assessment – 2022-23 Statement of Accounts	To consider the risk assessment	Nigel Stevenson	Glen Bicknell
Follow-up of Internal Audit recommendations – 6-monthly update	To consider an update on progress with implementing agreed actions from Internal Audit reports	Nigel Stevenson	Simon Lacey
Corporate Risk Management Update	To consider the updated corporate risk register and the Council's arrangements for corporate risk management	Nigel Stevenson	Keith Palframan

14 June 2023			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
External Audit Plan 2022-23	To consider the External Audit Plan for the forthcoming audit	Nigel Stevenson	Glen Bicknell
Assurance Mapping Annual Report 2022-23	To review the assurance provided from the map in 2022/23 and consider coverage for 2023/24	Nigel Stevenson	Simon Lacey
Internal Auditor's Annual Report	To consider the Head of Internal Audit's annual opinion of the arrangements for governance, risk management and control	Nigel Stevenson	Simon Lacey
Update on the use of the Councillor's Divisional Fund	To consider the annual update	Marjorie Toward	Keith Ford
19 July 2023			
Update on Local Government and Social Care Ombudsman Decisions	To consider any recent findings of the Local Government Ombudsman in complaints made against the County Council	Marie Rowney	Richard Elston
Annual Fraud Report 2020-21	To review the incidence of fraud over the year and an update on risks and mitigations	Nigel Stevenson	Simon Lacey
Internal Audit Term 3 progress 2022/23 and Term 2 plan 2023/24	To consider proposed audit coverage for Term 2	Nigel Stevenson	Simon Lacey

Items for 2023/24 (Committee dates to be confirmed)

November 2023			
Whistleblowing Policy Review	To consider the outcome of the review	Marjorie Toward	Heather Dickinson/ Catherine Haywood