

Governance and Ethics Committee

Thursday, 11 November 2021 at 14:00

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

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| 1 | Minutes of last meeting held on 30 September 2021 | 1 - 4 |
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| 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 and Social Care Ombudsman Decisions
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Notes

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

Customer Services Centre 0300 500 80 80

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

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) 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 **Thursday 30 September 2021 (commencing at 2.00 pm)**

membership

Persons absent are marked with 'A'

COUNCILLORS

Philip Owen (Chairman) **A**
Nigel Moxon (Vice-Chairman)

Richard Butler
Steve Carr **A**
Neil Clarke MBE
John Cottey
Errol Henry JP

Michael Payne **A**
Helen-Ann Smith
Roger Upton
Elizabeth Williamson **A**

SUBSTITUTE MEMBERS

Councillor Chris Barnfather for Councillor Philip Owen
Councillor Pauline Allan for Councillor Michael Payne

OFFICERS IN ATTENDANCE

Glen Bicknell
Heather Dickinson
Rob Disney
Keith Ford
Kaj Ghattaora
Jo Kirkby
Simon Lacey
Nigel Stevenson
Jo Toomey
Marjorie Toward

Chief Executive's Department

Sue Batty

Adult Social Care and Health Department

Gareth Johnson

Place Department

OTHER ATTENDEES

John Gregory
Zack Francis

Grant Thornton (external auditors)

CHAIRING ARRANGEMENTS

In the absence of the Chairman, the Vice-Chairman chaired the meeting.

1. MINUTES

The Minutes of the last meeting held on 23 June 2021, having been previously circulated, were confirmed and signed by the Chairman.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from:

- Councillor Steve Carr - other reasons
- Councillor Philip Owen – medical reasons
- Councillor Michael Payne – other reasons
- Councillor Elizabeth Williamson- other reasons

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

4. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGSCO) DECISIONS – JUNE TO AUGUST 2021

Jo Kirkby, Team Manager, Complaints and Information introduced the report which informed Members of the latest complaint outcomes from the LGSCO. Sue Batty, Service Director – Ageing Well Community Services responded to questions on the decisions relating to Adult Social Care.

RESOLVED: 2021/032

- 1) That detailed work is undertaken with the Adult Social Care, Health and Public Health Department in relation to identifying core issues in complaints that are not resolved at the earliest point.
- 2) That no further actions were required in relation to the issues contained within the report.

5. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGSCO)

Jo Kirkby, Team Manager, Complaints and Information introduced the report which summarised Nottinghamshire County Cases considered by the LGSCO over the previous financial year.

RESOLVED: 2021/033

That no actions were required in relation to the issues contained within the report.

6. STATEMENT OF ACCOUNTS 2020/21

Glen Bicknell, Senior Accountant, introduced the report by means of a presentation, accompanied by a presentation from the external auditors, John Gregory and Zack Francis, responding to Members' comments and queries as appropriate.

RESOLVED: 2021/034

- 1) That the letters of representation be approved.
- 2) That authority be delegated to the Section 151 Officer, in consultation with the Chair of Governance and Ethics Committee, to approve the Statement of Accounts 2020/21 on completion of all external audit work.

7. CORPORATE RISK MANAGEMENT UPDATE

Rob Disney, Group Manager, Assurance, introduced the report which sought approval for the updated risk register and provided an update on corporate risk management.

RESOLVED: 2021/035

- 1) That the updated corporate risk register be approved.
- 2) That further updates and proposals for a refresh of the Council's approach to risk management and suggested training for the Committee be submitted to future meetings.

8. INTERNAL AUDIT TERM 2 PLAN 2021-22

Rob Disney, Group Manager, Assurance, introduced the report which sought Members' views on Term 2 of the Internal Audit Plan 2021-22.

During discussions, it was underlined that Members could refer potential audit topics to the Chairman, Vice-Chairman or the Group Manager, Assurance.

RESOLVED: 2021/036

That the planned coverage of Internal Audit's work in Term 2 of 2021/22 was appropriate to deliver assurance to the Committee in priority areas.

9. ANNUAL FRAUD REPORT 2020/21

Rob Disney, Group Manager, Assurance, introduced the report which sought feedback on the latest annual report. Gareth Johnson, CPU and Enforcement Manager gave further information about activity to counter the misuse of Blue Badges and responded to Members' comments and queries.

RESOLVED: 2021/037

- 1) That the contents of the Annual Fraud Report 2020-21 be noted.
- 2) That the planned arrangements for tackling fraud and corruption were adequate.

10. FINANCIAL REGULATIONS WAIVERS 2020-21

Kaj Ghattaora, Group Manager, Procurement, introduced the report which provided details of waiver requests received during the last financial year and those specifically relating to the [Page 13 of 136](#) response.

RESOLVED: 2021/038

That the approach to Financial Regulations waivers detailed in the report and the continued progress in keeping waivers to a minimum be supported.

11. BROXTOWE COMMUNITY GOVERNANCE REVIEW

Heather Dickinson introduced the report which sought approval for the proposed position in response to this review being led by Broxtowe Borough Council.

RESOLVED: 2021/039

That the Chief Executive be authorised to submit a letter (as appended to the Committee report) as a courtesy response to the first phase of consultation in respect of Broxtowe Borough Council's Community Governance Review, reserving the County Council's position for any formal response until phase 2 of the consultation.

12. UPDATE ON USE OF RESOURCES BY COUNCILLORS

Keith Ford, Team Manager, Democratic Services introduced the report which provided the latest annual update on use of resources by Councillors and their support officers.

RESOLVED: 2021/040

- 1) That no further information or actions were required in relation to the expenditure during the period April 2020 – March 2021.
- 2) That all County Councillors be reminded of best practice and the need to avoid out of contract charges for ICT equipment.
- 3) That an itemised breakdown of out of contract charges for ICT equipment be included in future annual monitoring reports.

13. WORK PROGRAMME

In response to a query about the Committee's role in considering the new Executive Arrangements of governance during their ongoing development, it was clarified that the cross-party working group would lead on that work, with County Councillors expected to receive updates via their Group representative on that body.

RESOLVED: 2021/041

That no changes were required to the work programme.

The meeting closed at 3.55 pm.

11 November 2021**Agenda Item: 4****REPORT OF THE SERVICE DIRECTOR FOR CUSTOMERS, GOVERNANCE
AND EMPLOYEES****LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN DECISIONS
SEPTEMBER - OCTOBER 2021****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 up to 14th October 2021

Information

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

8. The first case relates to a man who was placed in an out of county care home and received significant injuries there. The home carried out an independent investigation which was overseen by a neighbouring Council who was responsible for both the safeguarding investigation and the quality of care in the home concerned. Although the home have offered a meaningful apology, the recommendation is that we offer another and also that we remind staff to follow up on safeguarding enquires carried out by other Councils so we can support the families of service users placed by us.
9. The second investigation related to the alternative support offered to families who could not use the short breaks provision because of the COVID 19 pandemic. The Council operated a scheme that offered families the chance to use Short Breaks funding they received but could not use, to buy equipment for their children instead. There were certain stipulations attached. The Council refused to accept the complainants claim for equipment. The Ombudsman has found that the Council's communication about all aspects of the offer was not clear and has recommended that we allow part of the claim. Although we do not accept the communication was not clear we have agreed to the recommendation.

Statutory and Policy Implications

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

Data Protection and Information Governance

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

Financial Implications

12. A parent will not be asked to repay an amount back into her daughter's short break fund. The precise amount has yet to be determined, as she has been asked to provide an appropriate receipt.

Implications for Service Users

13. All 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

That members consider whether there are any actions they require in relation to the issues contained within the report.

Marjorie Toward

Monitoring Officer and Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jo Kirkby Team Manager – Complaints and Information Team

Constitutional Comments (HD (Standing))

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 (RWK 20/10/2021)

Any financial payments arising from the decisions detailed in the report and the appendix will be met from within the budget for Children's and Families.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

APPENDIX A

DECISIONS NOT TO INVESTIGATE FURTHER

DATE	LGO REF	PROCEDURE	COMPLAINT SUMMARY	REASON FOR DECISION
06.09.21	21 004 110	Adults	Complaint about charging for a contribution to care costs.	Will not investigate – Council actions have not caused an injustice.
13.09.21	20 010 634	Adults	Complaint about how and where the Council decided his father should receive care after he fell and broke his pelvis. Also complained the Council wrongly decided his father deprived himself of assets to reduce the fees he had to pay towards his care.	The Council was not at fault.
4.10.21	21 006 742	Corporate	The complainant unhappy with the way the Council dealt with her child's need to change schools	We cannot investigate Ms X's complaint about what happened inside a school. We will not investigate her complaint about Council support whilst her child was out of school as it is unlikely we would find fault.
8.10.21	21 005 110	Childrens	The complainant complains the Council will not provide information about his adult son, and that the Council failed to respond to his correspondence in 2019.	Will not investigate Mr X's complaint about the Council's response to his request for information about his adult son. This is because we could not add to the response already provided via the Council's investigation. We will not investigate complaint about the Council's failure to respond to correspondence in 2019. It is late and there are no good grounds to exercise discretion to consider it now.
5.10.21	21 006 191	Corporate	Decision not to provide her son with free transport to school.	Ombudsman will not investigate because there is not enough evidence of fault by the Council.
8.10.21	21 007 676	Childrens14.10.221	Complaint about the actions of social services at the time the Council took his children into care and afterwards	We will not investigate this complaint about the Council's actions concerning Mr X's children in 2018 and 2019. The complaint is late and there is no good reason to exercise discretion to investigate it now.

FULL INVESTIGATIONS

DATE	LGO REF ANNEX PAGE No	PROCEDURE	COMPLAINT SUMMARY	DECISION	RECOMMENDATION	FINANCIAL REMEDY	Status of Agreed Action
14.10.21	20 008 978	Adults	Complaint about the residential care provided at The Old Rectory, to her late father who received significant injuries. These injuries triggered an alert to the Police and a safeguarding investigation. The care was provided by M & M Care Limited and commissioned by the Council.	Complaints about the residential care commissioned by the Council upheld	Apologies Ensure that, when a safeguarding enquiry involves someone placed by the Council, it follows up to ensure it is involved where appropriate. It should also ensure it receives information about what happened to the person to enable it to properly support the person and their family		Apologies and explanation offered (27.10.21). ASCH to remind workers to follow up on out of county safeguarding enquiries.
14.10.21	20 012 648	Corporate	Complaint about the Council's decision that she did not qualify for an offer to use Short Breaks funding for her daughter that could not be used because of the COVID-19 pandemic to buy equipment for her instead.	Some fault in the information provided about the scheme and in the way the Council considered this case.	Council to approve payment for some of the equipment bought.		Complainant has been asked to provide appropriate receipt. Before approval made.

The Ombudsman's final decision

Summary: Mrs X complained about the residential care provided to her late father, Mr Y by M & M Care Limited. He received significant injuries and the family was given conflicting information. This caused them significant upset and distress and they would like to understand how this happened and ensure it does not happen to others. We find the Care Provider failed to follow Mr Y's care plan and this led to the significant injuries. We are satisfied sufficient action has been taken to prevent, as far as possible, this happening to others. Mrs Y and Mrs X do not want any financial remedy, so the Council has agreed to apologise and follow up when a safeguarding enquiry involves someone it placed.

The complaint

1. The complainant, whom I shall refer to as Mrs X, complained about the residential care provided at The Old Rectory, to her father, the late Mr Y who received significant injuries. These injuries triggered an alert to the Police and a safeguarding investigation. The care was provided by M & M Care Limited and commissioned by the Council.
2. Mrs X says this caused the family much upset and distress, especially to Mrs Y who had struggled with Mr Y moving to a care home. They would like a full explanation of what happened and how Mr Y received the injuries. They would also like to make sure similar problems do not happen to others.

The Ombudsman's role and powers

3. We investigate complaints about councils and certain other bodies. Where an individual, organisation or private company is providing services on behalf of a council, we can investigate complaints about the actions of these providers. (*Local Government Act 1974, section 25(7), as amended*)
4. If we are satisfied with a council'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*)
5. We may investigate a complaint on behalf of someone who has died or who cannot authorise someone to act for them. The complaint may be made by:
 - their personal representative (if they have one), or
 - someone we consider to be suitable.

(*Local Government Act 1974, section 26A(2), as amended*). In this case, we consider Mrs X a suitable person to complain on Mr Y's behalf.

How I considered this complaint

6. I considered information from the Complainant and from the Council.
7. I sent both parties a copy of my draft decision for comment and took account of the comments I received in response.

What I found

Background

The Care Quality Commission

8. The Care Quality Commission (CQC) is the statutory regulator of care services. It keeps a register of care providers who show they meet the fundamental standards of care, inspects care services and issues reports on its findings. It also has power to enforce against breaches of fundamental care standards and prosecute offences.
9. Regulation 9 is about personalised care. The CQC's guidance on the regulations says:
 - "Providers must do everything reasonably practicable to make sure that people who use the service receive person-centred care and treatment that is appropriate, meets their needs and reflects their personal preferences, whatever they might be".
10. Regulation 12 is about safe care and treatment. The guidance says:
 - "Providers must do all that is reasonably practicable to mitigate risks".
 - "Staff must follow plans and pathways".
 - "Incidents that affect the health, safety and welfare of people using services must be reported internally and to relevant external authorities/bodies. They must be reviewed and thoroughly investigated by competent staff, and monitored to make sure that action is taken to remedy the situation, prevent further occurrences and make sure that improvements are made as a result. Staff who were involved in incidents should receive information about them and this should be shared with others to promote learning. Incidents include those that have potential for harm".
 - "Outcomes of investigations into incidents must be shared with the person concerned and, where relevant, their families, carers and advocates. This is in keeping with Regulation 20, Duty of candour".
11. Regulation 17 is about good governance. 17(2)(c) says care providers should "maintain securely an accurate, complete and contemporaneous record in respect of each service user, including a record of the care and treatment provided to the service user and of decisions taken in relation to the care and treatment provided".

What happened

12. Mr Y lived in The Old Rectory care home (the Old Rectory) run by M & M Care Limited (the Care Provider). He had various health conditions including dementia and had significant difficulties with mobility and understanding his needs. He

could be forgetful, confused, and found it difficult to find the right words. He occasionally became frustrated and agitated.

13. Mr Y had been admitted to the Old Rectory in late summer 2019. He came from hospital for interim care while he was assessed, and funding arranged. In November, the Council agreed funding for him to remain there as a long term resident. At the initial review in December, the Council noted family were satisfied with the placement and the Council planned to review Mr Y in one year.
14. Around one year after he arrived at the Old Rectory, in late summer 2020, Mr Y was unexpectedly admitted to hospital. The Council received a referral from the hospital saying that, due to concerns about the care he received at the Old Rectory, Mr Y needed a change of care home. The Old Rectory was outside the Council's area, so the safeguarding enquiry was carried out by the council responsible for that area, Council B. The safeguarding officer from Council B told the Council that enquiries were still underway but in view of the injuries sustained, Mr Y should not return to the Old Rectory. The Council arranged another placement for Mr Y, and he went there following one week in hospital. Mr Y sadly died a few weeks later.
15. The Care Provider commissioned an independent investigation which found that Mr Y laid on his right side, in the same position for at least 13 hours without repositioning. He may have been in that same position for up to 24 hours without repositioning and his skin was caused substantive injury. It found Mr Y was caused serious but unintentional neglect/gross negligence due to the failure to comply with his care plan. The investigation concluded that staff genuinely cared for Mr Y's wellbeing and tried not to disrupt his rest but did not follow his care plan. Staff also failed to give Mr Y appropriate food or drink and did not identify or address his injuries in a timely manner. The report recommended disciplinary proceedings. The Care Provider also self referred to CQC.
16. Mrs X complained to the Care Provider and then to us. The Council was not aware of the complaint until this point. Mrs X told me there had been a few issues during Mr Y's stay in the Old Rectory, but they were all sorted out. However, she said it all started to go wrong when the first COVID-19 national lockdown began.
17. In November, the Care Provider wrote to Mrs X with "unreserved apologies" and said it was "taking steps to ensure that nothing like this happens again at one of our care homes" including:
 - An internal investigation and disciplinary procedures in respect of at least four members of staff, two of which have already been suspended.
 - A comprehensive review of policies and procedures to ensure as far as possible they reflect current best practice.
 - Strengthening supervision and training processes for all carers and providing additional training and supervision where necessary.
 - Updating the requirements of staff handover processes to implement any changes to policies and procedures.
18. In May 2021, Council B wrote to Mrs X. it set out what had happened with the safeguarding enquiry and the findings of the independent investigation. The letter said it had advised "relevant regulatory and commissioning bodies" of the safeguarding enquiry outcome. It also said: "appropriate and proportionate actions were taken to mitigate the risk to others". Council B apologised to Mrs X and said it did not provide her with the standard of service expected in dealing

with her correspondence. It also apologised that it did not ensure she was updated about the safeguarding enquiry.

Mr Y's care records

19. Aside from the issues relating to the events leading to Mr Y's hospital admission in late summer 2020, Mr Y's records contained numerous body maps. Most of these are unremarkable and showed regular but minor skin tears and bruises. However, some show more significant injuries. A series of injuries over one week in January 2020 included "sore tops of toes" on both feet, bruising to upper arms and head, a small cut and a bump to his head. Then again, in July, bruising to head, knees and hips and at least two skin tears thought to relate to a fall in mid July. The bruising to his knees was on the left side and the bruising to the head and hips, was on the right side. In early August, bruising to his head, top of his back and skin tears on his elbows. There were no accident/incident reports or evidence that the Care Provider had reported these injuries as Mr Y was on blood thinning medication and had injuries to the head. There was also no evidence that care plans or risk assessments were reviewed in light of these incidents.
20. The MUST screening tool was completed monthly until February 2020 then not until June and again in August. Mr Y was to be weighed daily at the request of the "heart team" from May 2020. By July Mr Y was not weighed on several days and there were no records at all during August or September.
21. On admission, the Care Provider assessed Mr Y as at high risk of pressure sores. The risk assessment was reviewed every 4-6 weeks until February 2020. After this, the next review was June when Mr Y was found to be at 'very high' risk and then August which was also 'very high'. Mr Y's care plan for pressure ulcers had last been reviewed in March 2020 by the district nurse who noted the dressing could be left off. However, the independent investigator found Mr Y had existing pressure sores, so this suggests there was no up to date care plan for this. Mr Y's falls assessment was similarly reviewed monthly to February 2020 when the risk was 'medium'. It was next reviewed in June when the risk had increased to 'high' and then August, also 'high'.
22. Mr Y's care plans and risk assessments included the following comments relating to the events leading to Mr Y's hospital stay in late summer 2020:

General monitoring

23. To monitor Mr Y for any signs of deteriorating health.
24. Carer responsibility for identifying pressure damage, photographing, cleansing, applying dressing and phoning district nursing service for advice. Also, to initiate 2 hourly turn schedule and off load heels if appropriate.

Overnight

25. Regular checks throughout the night.
26. Staff to check Mr Y regularly throughout the night.
27. Mr Y repositions himself at night as he moves around and gets up a lot.
28. Requires repositioning overnight with 2.
29. Staff to offer assistance to the toilet when Mr Y wakes in the night.
30. Staff to encourage fluids and offer something to eat when Mr Y wakes in the night.

-
31. "Staff to use a slide sheet to reposition [Mr Y] during the night if he is in the same position as the last check to protect his skin".

Equipment

32. Electric profile bed with integral bed rails – risk of trapping limbs/neck/bruising/rolling over top of rail.
33. Movement sensor box to be placed in Mr Y's bedroom next to his bed.
34. "Staff to ensure [Mr Y's] sensor box is working every time they leave his bedroom as it alerts staff to [Mr Y] moving and he is unable to use the call bell".
35. Rising from the floor – hoist needed.

The events leading to the safeguarding concerns and hospital admission

36. Staff found Mr Y in his room with injuries including:

- Injured and bleeding toe and toenail.
- Pressure sores.
- Swelling along right side from head to toe.
- 23 skin tears on his body.
- High temperature.
- Possible dehydration.

37. The previous day, Mr Y had not eaten, drunk, or taken any medication because he had slept from early afternoon until 9:30pm. Staff raised a concern about this when handing over to the night staff. Mr Y woke soon after this and shouted. His motion sensor either became faulty, or was switched off, around this time. Staff found him distressed and laying on his right side facing the wall. They gave Mr Y some medication he had missed earlier to help him settle. Mr Y's foot had become lodged between the bed and the wall. Staff lifted his feet out and noticed traces of blood on the sheets, a grazed and damaged toe nail which did not need any attention. The night team checked Mr Y regularly and had no concerns. Mr Y stayed in the same position all night and staff did not reposition him, managing to change his pad at 4am without repositioning.
38. The night staff handed over to the day staff telling them of the injury, and that they should check on him. At 8am, staff went to Mr Y's room and noticed the motion sensor was off. They switched it back on. At 10:30 Mr Y needed his pad changing and staff moved his bed away from the wall so he could easily be repositioned and noticed blood trailing down the wall and pooled on the floor. When they turned Mr Y onto his back, they found other injuries. Staff called the emergency services and paramedics attended to Mr Y's injuries. Staff said they did not know how these had happened. They discounted a suggestion that Mr Y had fallen because he would have needed two staff to lift him back onto his bed. His care plan says a hoist would have been needed to raise him from the floor. The Care Provider alerted Police who also attended. Mrs X says it was the paramedics who alerted the Police.
39. When Mr Y was admitted to hospital, staff raised a safeguarding concern because:
- He had 20 injuries, including skin tears, that could be consistent with being dragged, pulled or lifted back into bed.
 - Staff at the Old Rectory had not recorded a fall.

- Mr Y was on blood thinning medication and staff at the Old Rectory should have sought medical attention at the time the injuries were sustained.
 - Possible fall from bed and put back into bed but day staff not alerted. The ambulance crew said Mr Y had been lifted by care workers – marks/skin tear under right arm and grazing to face.
 - Friction burn to his right shoulder.
 - Toe nail was mostly removed.
40. The Police later concluded there was not enough evidence that a criminal offence of neglect had been committed and said the Care Provider could investigate. The Council responsible for the area agreed to that and its safeguarding enquiry oversaw the investigation by the independent investigator which began in October.

Was there fault which caused injustice?

41. The Care Provider accepted it was at fault in the way it provided care to Mr Y. This caused Mr Y significant and avoidable harm and failed to provide him with the care he needed. From the records, I have concluded that Mrs X's view that it all started to go wrong from the first COVID-19 national lockdown is, on the balance of probability, right. The critical assessments around pressure sores, weight, and risk of falls, were not completed from March until August. This means we cannot be confident that Mr Y received the care he needed over this time. The incident in late summer 2020 that led to his hospitalisation, demonstrates the importance of staff keeping, and adhering to, accurate and up to date care plans.
42. Mrs X and Mr Y's family received conflicting information and had difficulty understanding what had happened. Some of this was due to the nature of the concerns and that nobody appeared to know what had happened. Some of the confusion was due to a lack of communication between the Council, the Care Provider, and Council B. While the Council was not aware of Mrs X's complaint, it became aware of the safeguarding concerns while Mr Y was in hospital. It contacted Council B to confirm the need to move Mr Y to another home. It should also have followed up on the safeguarding outcome to understand what had happened to Mr Y so it could provide support to Mr Y and his family.
43. This was also a significantly distressing and traumatic experience for Mr Y's family, especially for Mrs Y who felt the responsibility for Mr Y being in the Old Rectory. This continued over several months during which they tried to find out what happened. We are not able to provide a complete explanation for these events, but I am satisfied that this has now been done as far as possible.
44. Once Mr Y's injuries were noticed, the Care Provider acted properly in calling the emergency services and engaging an independent investigator when asked to investigate. It has given a meaningful apology to the family and has taken steps to stop similar problems happening in future. This is to be commended. However, I have identified potential breaches of regulations 9, 12, and 17 so will share a copy of the final decision with CQC although CQC has already been involved. I should also note the difficult and challenging circumstances for care providers especially around March 2020 and the following months. However, regardless of the challenges, Care Providers are still required to comply with regulations and provide people with safe care.
45. I have not recommended any actions relating to others who may be at risk; this has been considered by the safeguarding enquiry. The Council is not responsible

for monitoring the quality of the Old Rectory, but this has also been covered by the safeguarding enquiry and CQC notified. CQC will now receive a copy of my final decision so this will also provide further evidence to inform their activity with the Care Provider. I have therefore not seen any reason to extend my investigation and I am sufficiently satisfied that appropriate actions have been taken to avoid similar problems in future.

46. Although the Care Provider has already given a suitable apology, Mrs X says she has not seen this. The Council should now provide a further apology to properly conclude the complaint.
47. Usually, in circumstances such as this, I would recommend reimbursement of care costs, and payments in recognition of the significant distress caused to Mr Y's family. However, Mrs X says they do not want any financial remedy, they only want to make sure no one else has a similar experience.

Agreed action

48. When a council commissions another organisation to provide services on its behalf it remains responsible for those services and for the actions of the organisation providing them. So, although I found fault with the actions of the care provider, I made recommendations to the Council.
49. To remedy the injustice caused by the faults identified above, I recommended the Council:
- Arrange for the Care Provider to provide a suitable apology to Mrs Y.
 - Apologise to Mrs Y and Mrs X, setting out the faults identified above and the actions taken, or to be taken, to address these, including the actions taken by the safeguarding authority.
 - Ensure that, when a safeguarding enquiry involves someone placed by the Council, it follows up to ensure it is involved where appropriate. It should also ensure it receives information about what happened to the person to enable it to properly support the person and their family.
 - Complete these recommendations within one month of my final decision and provide evidence to me. Suitable evidence would include a copy of the apology letter and details of the actions taken to complete the second recommendation.
50. The Council has agreed to complete these actions.

Final decision

51. I have completed my investigation and uphold Mrs X's complaints about the residential care commissioned by the Council for Mr Y.

Investigator's decision on behalf of the Ombudsman

The Ombudsman's final decision

Summary: Mrs X complained about the Council's decision that she did not qualify for an offer to use Short Breaks funding for her daughter that could not be used because of the COVID-19 pandemic to buy equipment for her instead. The Council asked Mrs X to pay the money she spent back into the fund. We have found some fault in the information provided about the scheme and in the way the Council considered Mrs X's case. The Council has agreed to allow part of the payment she made to be covered by the scheme.

The complaint

1. In November 2020 the Council offered families the chance to use Short Breaks funding they received but could not use because of the COVID-19 pandemic to buy equipment for their children instead. Mrs X complains that when she did so the Council unfairly told her she was not eligible. She says she understood from the information she received about the offer that she would be eligible. The Council is now refusing to authorise the payment and asking her to pay the money she spent back into her daughter's direct payment account.

The Ombudsman's role and powers

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

How I considered this complaint

4. I discussed the complaint with Mrs X and considered the information she provided. I considered the information the Council provided in response to my enquiries. I considered relevant law, guidance and policy on council support for children and young people with disabilities during the pandemic. Mrs X and the Council had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

-
5. 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

Short breaks funding

6. The Council's Short Breaks service offers short breaks to families of children and young people with disabilities to give the carer a break from caring, and give the child or young person the chance to take part in activities. The Council may provide the support through direct payments to the family, for example to employ a Personal Assistant (PA). Or it may commission a service itself, or there can be a mix of the two.

Impact of COVID-19

7. This complaint involves events that occurred during the COVID-19 pandemic. The Government introduced a range of new and frequently updated rules and guidance during this time. We can consider whether the council followed the relevant legislation, guidance and our published "Good Administrative Practice during the response to COVID-19".
8. The government issued guidance in April 2020, updated in August and November 2020, for councils, clinical commissioning groups (CCGs) and families about providing and receiving direct payments. This advised that councils and CCGs should take a flexible approach to arrangements for people receiving all forms of direct payments so they could continue to meet their care and support needs during the pandemic.

What happened

9. Mrs X has a daughter, D, who attends a specialist school. She receives funding for Short Breaks. This is delivered partly through direct payments to pay for a PA to take D out, and partly, since October 2020, through D attending a support group at a centre.
10. In June 2020 the Council offered families whose Short Breaks services had been disrupted because of COVID-19 the chance to use £150 of their allocated fund to make a one-off purchase. Mrs X did not take up the offer.
11. In November 2020 the Council reviewed the support it was providing to children and young people under the Short Breaks service during the pandemic. It decided to extend its offer. It wrote to special schools with details of the offer. On 23 November Mrs X received an email from her daughter's school about the new scheme. The email said an officer from the Council's Short Breaks service had asked the school to give her the information. There was a link to the relevant page of the Council's website and an information sheet attached describing the offer. The information sheet included the following information.
 - The Council was aware that a significant number of children and young people had not been able to access their usual Short Break provision for various reasons because of COVID-19.
 - This could be because: PAs were not available; families were shielding; Short Breaks providers could not continue the same level of support; or families could not spend direct payments on activities.

-
- The Council was now offering families who could not use their Short Breaks allocation an opportunity to buy equipment and toys so they could continue to support their children's development.
 - *"This offer is only available to children or young people who are known to the Short Break service and have been allocated Short Break hours and have them as a direct payment for activities only, or families unable to use their Personal Assistant (PA) or Provider Service due to them being unavailable as a result of Covid-19."*
 - *"Hours will not be able to be transferred from PA or Provider Service agreements if the PA or Provider Service is still offering support."*
 - *"If you currently use your Short Break allocation through a PA or Provider Service and they have informed you they are unable to offer support due to Covid-19, you are eligible to take up this offer".*
12. The information sheet explained how parents could take up the offer. The conditions included the following.
- Parents could use the direct payment money to buy an item for their child, as long as they had sufficient funds in the current year's account.
 - Any money spent would be deducted from the current Short Breaks allocation.
 - They must complete the purchase by the end of January 2021.
 - *"All items must be purchased from a reputable retailer (including online retailers)".*
 - Parents may contact the Council to ask for a pre-paid card and may use their own money to purchase items in the meantime. They could then reimburse themselves from the card when they received it.
13. Mrs X says when she received this email D had not been able to see her PA for a total of around 12 weeks since the start of the pandemic. This was because of various periods of self-isolation for either Mrs X's family or the PA's. Mrs X had also received an email around ten days earlier saying the centre D attended for her group session was temporarily closed because of COVID-19.
14. Mrs X understood she would be eligible for the Council's Short Breaks offer. She used her pre-paid direct payments card to buy two items for a total of around £600. The first was equipment to help take D out for outdoor activities, bought second-hand from someone she knew. The second was equipment to help with producing educational materials, bought online from a well-known website.
15. In early January Mrs X wrote to the Council to say she had used the offer due to D's PA *"being unable to work intermittently through Covid"*. She referred to the items she had bought. She said she had since re-read the criteria and wanted to double check that the second-hand purchase was covered as it was from a private seller.
16. The Council replied saying D was not eligible for the offer as payments had been made to her PA and she had attended the group sessions.
17. There was further correspondence between Mrs X and the Council over the next few weeks including a formal complaint from Mrs X and the Council's responses. The Council continued to maintain that D was not eligible for the offer and Mrs X disputed this.
18. In the course of this correspondence the Council said:

[Respondence to the Council](#)

- The offer was “*only available to families who are receiving no support at all*” or “*have had no support through lockdown*”, whereas according to Mrs X D had received intermittent support.
 - It targeted the offer specifically on families who received their Short Breaks as a direct payment for activities and had no commissioned provision. Many of these had not had access to any activities since March. It was also targeting families where commissioned provision was suspended due to COVID-19.
 - There were no exceptional circumstances to justify awarding the offer to Mrs X.
 - The November offer only covered the period from that point onwards. Any direct payment hours not used would be carried over to the next year’s allocation.
 - There was a difference between the first offer in the summer of 2020, which Mrs X did not take up, and the second offer in November 2020. This was to recognise the fact that while some families had been able to access some support since the beginning of the national lockdown, others had received none at all. The second offer was targeted at the latter group. The Council sent out letters to eligible families only, which did not include Mrs X.
 - In any event one of the items Mrs X purchased did not come from a reputable retailer and so the Council could not approve it.
 - As she was not eligible she would have to repay the money she spent.
19. Mrs X’s view was:
- The information she received did not say the support had to be continuously unavailable, or that the offer only applied to those who had received no support at all. Her daughter had missed out on over 12 weeks’ support from her PA and some of her group sessions had been cancelled.
 - She received the information about the offer from her daughter’s school with an email saying the Short Breaks officer at the Council had asked the school to give it to her. It did not say the Short Breaks team would contact her directly. There was nothing to indicate the second offer was targeted at families with different circumstances to those in the summer offer.
 - She accepted she should have clarified whether the items she bought would be covered. However if the Council had responded to her earlier she would have had an opportunity to return the item, but it was too late to do so now.
20. In its final response the Council did not accept it was responsible for the situation where Mrs X could not return the item she had bought. It said it responded to her immediately with its decision that it would not approve the spending. It confirmed she would have to repay the money within 30 days, or arrange a repayment plan.

Analysis – was there fault causing injustice?

21. Looking at the information the Council provided in November 2020, I agree with Mrs X that it does not make it clear that the offer applied only to families who had received no support at all through their Short Breaks funding during the pandemic. It referred to children and young people who had not been able to access their ‘usual provision’ and gave the example of providers who could not deliver the ‘same level of support’.
22. In my view it is understandable that Mrs X believed she might be eligible for the offer. She received the information the Council had produced about the scheme

from D's school with a message that the Council had asked the school to pass it on to her. She had no reason to think she was not part of a targeted group.

23. If the Council had intended to make the offer available only to families who had received no support at all during lockdown, it should have made this clear. I consider the failure to do so was fault.
24. However I agree with the Council that there were two parts of the message that were clear. The first is that the offer would not apply if the PA or provider was still offering support. In this case Mrs X has provided evidence to show that when she received details of the scheme in November 2020, the centre D attended for her group sessions was temporarily closed. So I consider she satisfied this condition and that the Council's failure to consider this matter properly is fault.
25. The second is that the offer would only cover items bought from a reputable retailer. Mrs X had doubts herself that the scheme would cover the second-hand item she bought. It is clear that it would not.
26. When Mrs X wrote to the Council in early January 2020 to check whether the second-hand item would be covered, the Council replied the same day to say she was not eligible. Although the Council gave different explanations as the correspondence went on, it did not change its decision. So I do not accept that delay by the Council prevented Mrs X returning the items and getting her money back.
27. For these reasons, and in the spirit of the government advice about flexibility in the use of direct payments during the pandemic, my view is that the Council should treat Mrs X as qualifying to have part of her payment covered under the Short Breaks offer.

Agreed action

28. I recommended that the Council treat Mrs X as covered by the November 2020 Short Breaks offer for the cost of the item she bought online. It should approve this payment and not ask her to pay the sum back into D's Short Breaks fund. Although the Council does not agree the information it provided about the scheme was unclear, it has agreed to this recommendation.
29. Mrs X will need to provide proof of purchase. The Council should complete this action within one month of the final decision on this complaint.

Final decision

30. I have found some fault by the Council causing an injustice to Mrs X. The Council has agreed a suitable remedy and so I have completed my investigation.

Investigator's decision on behalf of the Ombudsman

11 November 2021**Agenda Item: 5**

REPORT OF THE CHAIRMAN OF GOVERNANCE AND ETHICS COMMITTEE

AUDIT FINDINGS REPORT 2020/21

Purpose of the Report

1. To inform the Governance and Ethics Committee of the contents of the External Auditor's Audit Findings Report 2020/21.

Statement of Accounts 2020/21

2. The deadline for publishing the draft Statement of Accounts 2020/21 was 31 July 2021. Nottinghamshire County Council's and the Nottinghamshire Pension Fund Statement of Accounts 2020/21 were published onto the Council website on 9 July 2021, well ahead of the deadline. The draft Statement of Accounts 2020/21 and the draft Audit Findings Report 2020/21 were presented to the Governance and Ethics Committee meeting on 30 September.
3. The statutory audit of the Statement of Accounts 2020/21 is being undertaken by Grant Thornton. On completion of this work, the Section 151 Officer, in consultation with the Chairman of the Governance and Ethics Committee, will approve the Statement of Accounts 2020/21 for both Nottinghamshire County Council and Nottinghamshire Pension Fund.

Audit Results

4. The External Auditor's Audit Findings Report 2020/21 is attached to this report. The audit was completed satisfactorily, and subject to outstanding valuation queries being resolved to their satisfaction, it is anticipated that the audit report to be issued will include an unqualified opinion on the financial statements. The auditor's draft opinion of the Nottinghamshire County Council accounts can be seen on page 42 and the draft opinion on the Nottinghamshire Pension Fund accounts can be seen on page 47 of the report. The final opinions will be published on the Council's website.
5. It is important to note that no material adjustments were identified within the financial statements.
6. The audit did not identify any significant weaknesses in internal control and there were no significant difficulties or matters identified during the audit.
7. On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which has come into effect from financial year 2020/21. As a result, there has been a revised

approach to the audit of Value for Money (VfM). It is expected that the Auditor's Annual Report 2020/21, which will set out their VfM conclusion, will be issued no more than three months after the date of the opinion on the financial statements.

8. 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.
9. The results of this year's audit are a continued positive reflection of the Council's performance, particularly in the context of the continuing changes and complexities arising from International Financial Reporting Standards and the challenge of finalising the accounts to tight deadlines under difficult and challenging working conditions.

Statutory and Policy Implications

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

RECOMMENDATION/S

11. That Members comment upon the contents of the External Audit Report 2020/21.

Councillor Philip Owen
Chairman of Governance and Ethics Committee

For any enquiries about this report please contact:

Nigel Stevenson

Service Director (Finance, Infrastructure and Improvement)

Constitutional Comments (KK 21/10/2021)

12. 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 and Nottinghamshire Pension Fund

Year ended 31 March 2021

11 November 2021

FINAL



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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.

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

John Gregory

Name : John Gregory

For Grant Thornton UK LLP

Date : 11 November 2021

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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 Nottinghamshire Pension Fund ('the Pension Fund') and the preparation of the Council and Pension Fund's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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

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

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

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

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

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

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

For the County Council only:

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

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

1. Headlines

Value for Money (VFM) arrangements

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

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

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

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

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

Statutory duties

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

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

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

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

Significant Matters

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

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

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

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

Acknowledgements

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

John Gregory

2. Financial Statements



Our approach to materiality

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

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



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

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



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2. Financial Statements - Significant risks

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

2. Financial Statements - Significant risks

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

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2. Financial Statements - Significant risks

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

2. Financial Statements - Significant risks

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

2. Financial Statements – new issues and risks

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






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

2. Financial Statements – new issues and risks


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

2. Financial Statements – key judgements and estimates





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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £644.3m Nottinghamshire County Council	<p>Land and buildings comprise specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service potential. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The Council engaged its internal RICS-registered valuer to complete the valuation of its land and buildings as at 31 March 2021 on a five yearly cyclical basis. By value, one third of the Council's total land & buildings were revalued during 2020/21. The five yearly cyclical basis is allowable under the CIPFA Code, providing the carrying amount of non-valued assets is not materially different from the current value at the year-end.</p> <p>Management have considered the year end value of non-valued land and buildings by consulting with the valuer for his professional opinion on the matter and by applying relevant indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs indices; internal floor areas; site areas; and for both EUV and DRC assets: condition assessments from inspections carried out and RICS and other relevant industry guidance. Management review alternative site and building configuration assumptions to address the modern equivalent asset accounting requirement. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The total year end valuation of land and buildings was £644.3m, a net increase of £2.3m from 2019/20 (£642.1m).</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations We have validated sources of information used by management and the valuer for a selection of assets – relevant findings are set out on page 9 We have analysed the method, data and assumptions used by management to derive the estimate- relevant findings are set out on page 9 We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated The estimate is adequately disclosed in the financial statements. 	
Assessment <ul style="list-style-type: none">  Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated  Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic  Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious  Light Purple We consider management's process is appropriate and key assumptions are neither optimistic nor cautious 			


2. Financial Statements – key judgements and estimates

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

Assessment

-  Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  Light Purple We consider management's process is appropriate and key assumptions are neither optimistic nor pessimistic

2. Financial Statements – key judgements and estimates

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

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic nor cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £1,524.7m

Nottinghamshire County Council

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

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

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

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

We have considered:


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

Assessment





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

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2. Financial Statements - key judgements and estimates

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





Assessment

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

2. Financial Statements - key judgements and estimates

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

Assessment

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

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

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

Nottinghamshire Pension Fund

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

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

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

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

Option B – in the notes to the accounts

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

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

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

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

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

Assessment

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

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2. Financial Statements - other communication requirements

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



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

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>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 Pension Fund and the environment in which they operate the Council and Pension Fund's financial reporting framework the Council and Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

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



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

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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 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements

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

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

5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

5. Independence and ethics

Audit and non-audit services

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

Nottinghamshire County Council

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

Nottinghamshire Pension Fund

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

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Appendices

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



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

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




Controls

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


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

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

Controls

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

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

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

Controls

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

B. Follow up of prior year recommendations

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

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

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

Assessment

- ✓ Action completed
- X Not yet addressed

B. Follow up of prior year recommendations

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

Assessment

- ✓ Action completed
X Not yet addressed

C. Audit Adjustments – Nottinghamshire County Council

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



Impact of adjusted misstatements

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

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

Impact of unadjusted misstatements

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

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

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period.

C. Audit Adjustments – Nottinghamshire County Council

Misclassification and disclosure changes - adjusted

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

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

C. Audit Adjustments – Nottinghamshire County Council

Misclassification and disclosure changes - unadjusted

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

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

C. Audit Adjustments – Nottinghamshire Pension Fund

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



Impact of adjusted/ unadjusted misstatements

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

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

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period.

C. Audit Adjustments – Nottinghamshire Pension Fund

Misclassification and disclosure changes

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

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

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C. Audit Adjustments – Nottinghamshire Pension Fund

Misclassification and disclosure changes

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

D. Fees – Nottinghamshire County Council

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

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

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

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

D. Fees – Nottinghamshire Pension Fund

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

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

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

The fees reconcile to the financial statements.

E. Audit opinion – Nottinghamshire County Council

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

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

Report on the Audit of the Financial Statements

Opinion on financial statements

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

E. Audit opinion – Nottinghamshire County Council

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

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

E. Audit opinion – Nottinghamshire County Council

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

E. Audit opinion – Nottinghamshire County Council

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

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

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

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

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

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

Responsibilities of the Authority

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

E. Audit opinion – Nottinghamshire County Council

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

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

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

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

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

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

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

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

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

Use of our report

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

John Gregory, Key Audit Partner

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

E. Audit opinion – Nottinghamshire Pension Fund

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

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

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

E. Audit opinion – Nottinghamshire Pension Fund

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

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

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

E. Audit opinion – Nottinghamshire Pension Fund

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

E. Audit opinion – Nottinghamshire Pension Fund

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

Use of our report

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

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

F. Management Letter of Representation – Nottinghamshire County Council

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

11 November 2021

Dear Sirs

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

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

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

F. Management Letter of Representation – Nottinghamshire County Council

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

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

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

Information Provided

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

F. Management Letter of Representation – Nottinghamshire County Council

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

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

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

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

F. Management Letter of Representation – Nottinghamshire Pension Fund

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

11 November 2021

Dear Sirs

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

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

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

F. Management Letter of Representation – Nottinghamshire Pension Fund

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

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

Information Provided

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

F. Management Letter of Representation – Nottinghamshire Pension Fund

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

Approval

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

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Fund

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G. Audit letter in respect of delayed VFM work

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

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

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

11 November 2021

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

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

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

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

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

Yours faithfully
John Gregory
Director



11 November 2021

Agenda Item: 6

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDIT APPOINTMENTS MANAGED BY PUBLIC SECTOR AUDIT APPOINTMENT (PSAA) THE 'APPOINTING PERSON'

Purpose of the Report

1. This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

Information

2. Under the Local Government Audit & Accountability Act 2014 ("the Act"), the council is required to appoint an auditor to audit its accounts for each financial year. The council has three options:
 - To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - To opt-in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'.
3. Following lobbying by the Local Government Association (LGA) and demonstrable support from across the sector, the then Secretary of State for Communities and Local Government specified PSAA as the appointing person in July 2016. The LGA achieved its objective of establishing a national sector led body to deliver efficient and effective external arrangements for the benefit of all authorities who have opted-in to this arrangement.
4. The overwhelming majority of councils, including Nottinghamshire, and other relevant bodies decided to opt-in to the national scheme for the five-year period from 2018/19 to 2022/23. PSAA completed a procurement of audit services to cover this period starting with the audit of accounts for 2018/19.
5. The procurement in 2017 enabled PSAA to appoint auditors to all councils and other bodies that opted-in following a full consultation on the proposed auditor appointments. As PSAA is

a not-for-profit body it was also able to pass on the reduction in the winning firms' bids by reducing audit fees.

6. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
7. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
8. It is believed that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
 - collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements,
 - if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract,
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement, and
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
9. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

Other Options Considered

10. If the Council did not opt-in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and

friends. Consequently, elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.

11. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
12. These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
13. The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
14. The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
15. The alternative of making local arrangements to appoint our auditors by setting up auditor panels, either individually or collectively is not considered to achieve best value for the Council.

Reason for Recommendation

16. To approve the decision to opt-in to the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2023/24 to 2027/28.

Statutory and Policy Implications

17. 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

18. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

19. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.
20. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

RECOMMENDATIONS

- 1) That Members recommend to Full Council that it accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Nigel Stevenson

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

For any enquiries about this report please contact:

Nigel Stevenson

Constitutional Comments (HD – 08/10/2021)

21. This matter falls within the remit of the Governance and Ethics Committee under its terms of reference as the Committee with responsibility for advising Full Council on the adequacy of the Council's systems of internal control and overseeing the external auditor's annual audit of the accounts.
22. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
23. Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. However, this requirement is disapplied where the Authority is an opted in authority, by Schedule 1, Paragraph 4 of the Local Audit (Appointing Person) Regulations 2015 (SI 192) (the 2015 Regulations).
24. By reference to Schedule 3, paragraph 1 of the Act, Section 8 also provides that where a relevant Council/Authority is a local Council/Authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements.
25. Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

26. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the 2015 Regulations and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

27. Regulation 19 of the 2015 Regulations also provides that a decision to become an opted in authority may only be taken by the relevant Authority meeting as a whole (i.e. Full Council). As a result, this Committee is recommending that Full Council accepts the invitation to join the sector led opt in arrangements.

Financial Comments (KRP 8/10/2021)

28. As set out in the report, opting in to the PSAA arrangements represents the most cost-effective method of procuring the external audit contract.

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

11 November 2021

Agenda Item: 7

REPORT OF SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE & IMPROVEMENT

FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

Purpose of the Report

1. To report progress with the implementation of agreed management actions to address Internal Audit recommendations.

Information

2. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

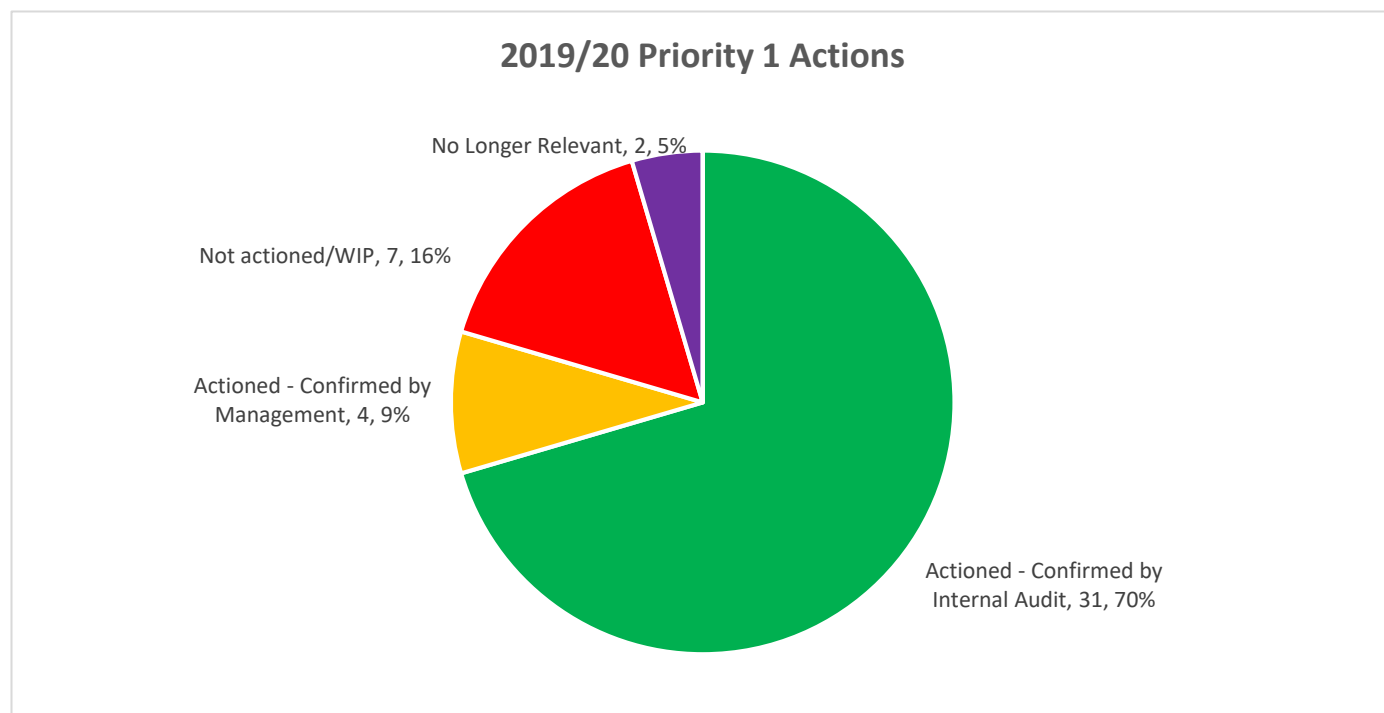
Priority rating of recommendation	Management assurance	Internal Audit assurance
Priority 1	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Priority 2		Compliance testing is scheduled for selected actions

3. Internal Audit carries out the following work to provide an update on progress on a 6-monthly basis:
 - For recommendations agreed in audit reports issued since the date of the previous meeting, seeking assurance from management that agreed actions have been taken in accordance with the proposed timescales.
 - For actions previously confirmed to have been taken by management, carrying out compliance testing to confirm satisfactory implementation.

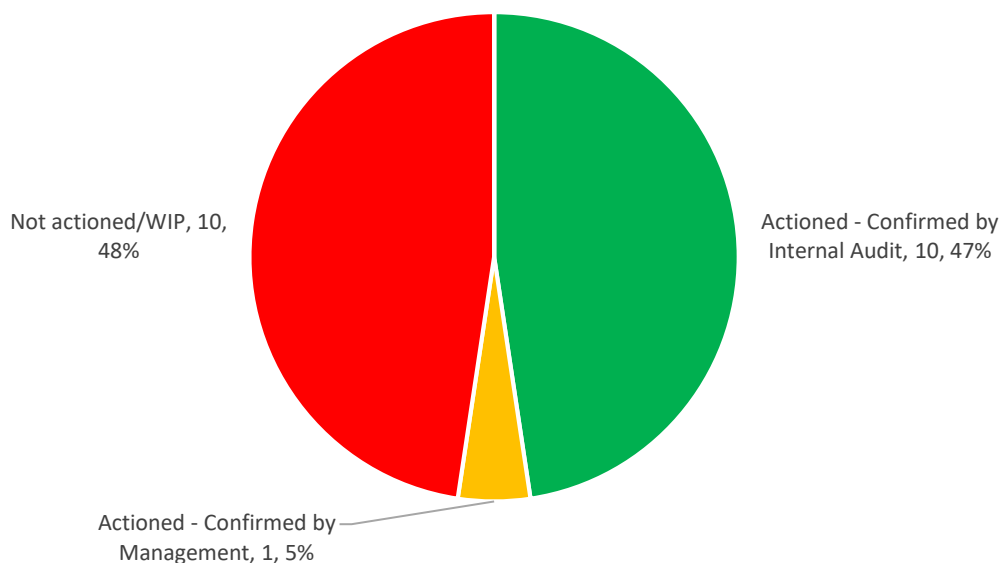
4. The charts in this report present progress with the actions that should now be in place according to the implementation dates proposed by management. Since the commencement of the Covid19 pandemic, the Council has continued to prioritise the delivery of front-line services and refocused service delivery within all departments. This has involved the reprioritisation of services and redeployment of staff, and this has continued to impact on resources available to implement planned actions in some areas.
5. Before the pandemic, progress was being made with the functionality within Internal Audit's automated system to enable action owners across the Council to enter updates directly. However, completion was delayed by the pandemic, when the action owner who was helping us to test the system had other pandemic related priorities. We now plan to refresh and relaunch this functionality and reassess the benefit for the action tracking process.

Priority 1 Actions

6. The current status with the scheduled implementation of Priority 1 actions agreed from audits carried out in 2019/20 and 2020/21 are summarised in the following charts. These present the latest position with actions for which the implementation was agreed.



2020/21 Priority 1 Actions



7. Since the previous update in March 2021, Internal Audit have been actively reviewing progress with the implementation of agreed actions. Our follow-up testing has confirmed satisfactory implementation for the following Priority 1 actions:

Priority 1 Actions – Cleared by Internal Audit following testing	
Audit – Agreed Action	Action Update
Covid 19 – Organisation Planning – Business Continuity	The corporate risk register has been updated on a regular basis
Covid 19 – Organisation Planning – Critical Services	Notification of decisions taken under urgent procedures have been reported to committee
Children & Families Payments Team – Volume of Payments	Additional staff have now been appointed to reduce the volume of payments
Direct Payment Support Services – DPSS Liability	The service specification has been amended to indemnify the Council
Specialist Education Provision – Commissioning – Contract Monitoring	Contracts are now generated and maintained within Mosaic
Trading Standards – Enforcement & Sanctions – Vetting Checks	All staff have been vetted in accordance with policies and guidance

8. Our action tracking work has also identified that management have provided assurance that following actions have been implemented, and Internal Audit will now schedule its subsequent compliance testing:

Priority 1 Actions – Management Assurance – Internal Audit to schedule testing	
Audit – Agreed Action	Action Assurance Update
Health & Safety – Emergency Response Provision	New arrangements for emergency response provision have been communicated to all staff
Direct Payment Support Services – Contract Monitoring	The contract has been issued which included the required KPI's
Procurement of OH Equipment – Contractual Agreements	The contract management toolkit and procurement spend dashboard have been implemented
Council Wide Budget Forecasting – Forecast variations	Forecast validation is implemented with comments included in forecasts
Pensions Administration – Reconciliation of payments	Reconciliations are routinely completed
School & Pupil Placed Planning – Use of forecasting model for demand	The forecasting tool is in operation
School & Pupil Placed Planning – Review of expansion business cases	Business cases are reviewed for accuracy and completeness
Transport & Travel Services – authorisation of de-minimis payments	The process for completion has been agreed with procurement
Care Home Fees – recording reduced rates for banded homes	Discounted rates are now captured within Mosaic.

9. Finally, our work identifies the updated position with Priority 1 actions where implementation is overdue. These are set out in **Appendix 1**, which is ordered chronologically by the year of audit when the issues were first raised supported by a high-level departmental analysis in the following table.

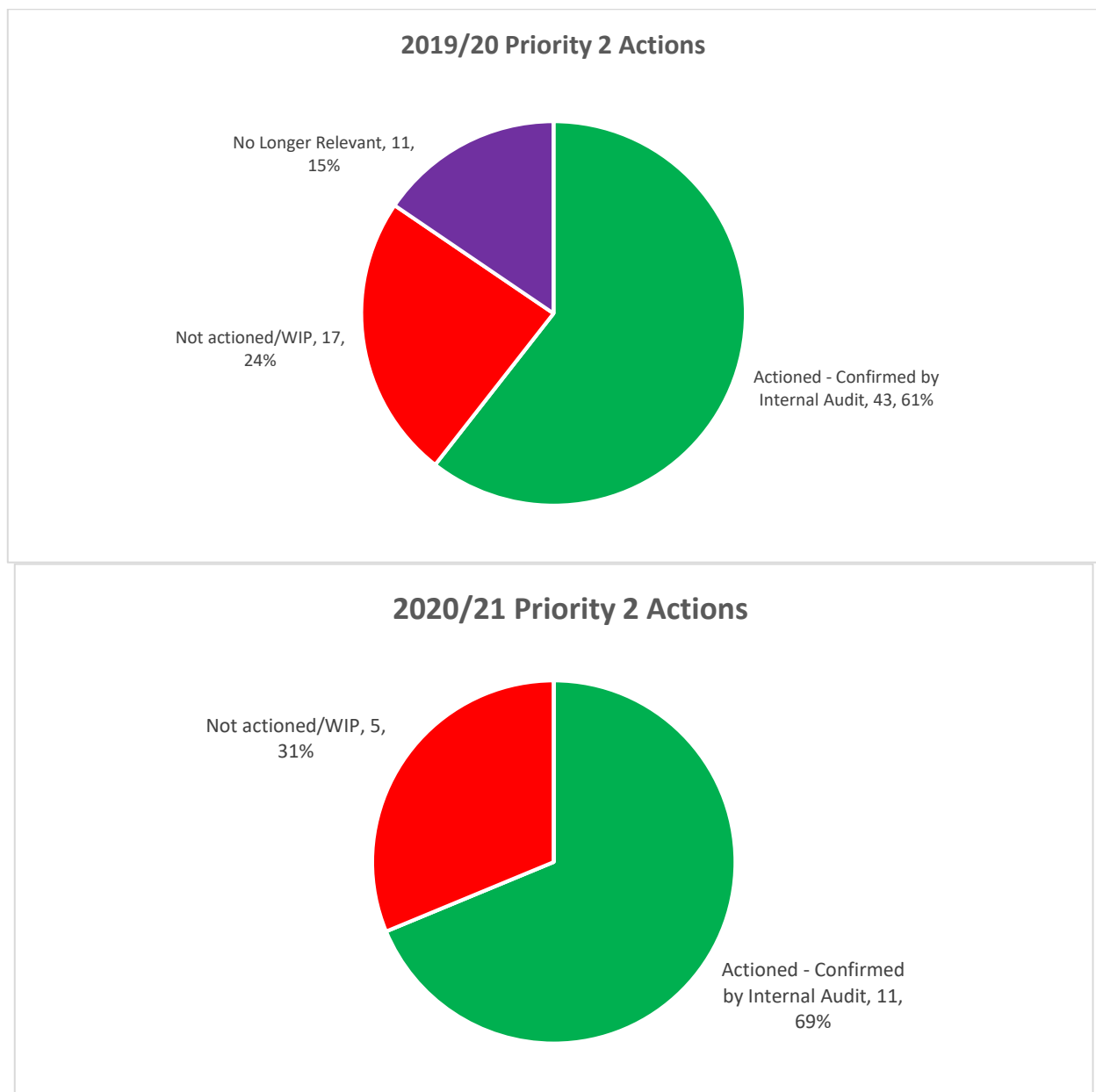
Audit Year	Overdue Actions	Departmental Analysis
2018/19	9	ASCH – 1 Chief Executives – 3 Cross Cutting – 5
2019/20	5	ASCH – 4 Cross Cutting – 1
2020/21	10	Chief Executives – 2 Cross Cutting - 8
	24	

10. A significant area due for follow-up testing concerns the actions relating to the management of vacant property. Management have previously provided assurance that actions have been implemented to address the issues raised in the report, but this has also highlighted the significant change in the operating context for the service that has been put in place to address wider improvement objectives. Consequently, we have agreed with management in this area of service that a fresh audit of vacant property management would now be more appropriate, rather than focussing on the specific actions raised in the previous audit which were made in the context of the previous service set-up. This audit is part of the proposed Internal Audit Plan for Term 3, tabled separately on today's agenda.

Priority 2 Actions

11. Similarly, with the Priority 1 actions previous reports moved on to focus on actions agreed for 2019/20 and 2020/21 which continues in this report with 2021/22 actions featuring in subsequent reports.

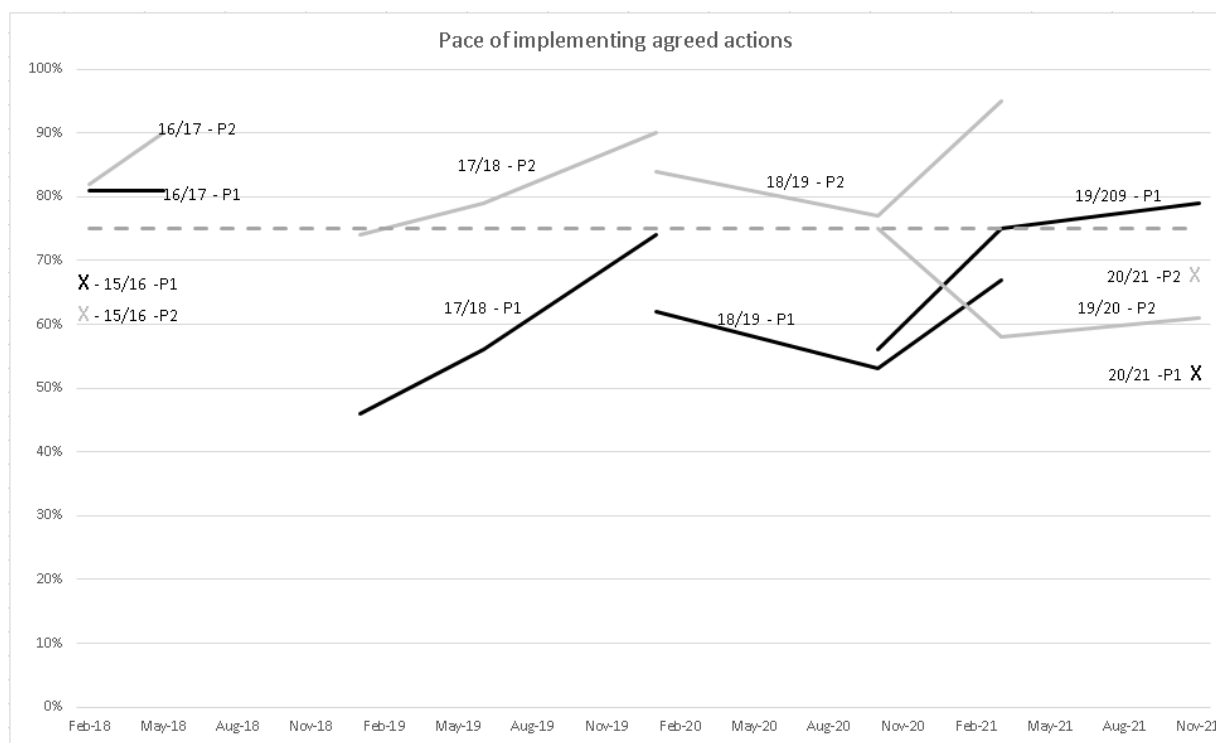
12. Progress with implementation of the 2019/20 and 2020/21 Priority 2 actions are summarised in the following charts:



13. The position above for Priority 2 actions relates primarily to the assurance updates received from management. This provides positive assurance that improvements to the Council's system of internal control are being made, but the pace of implementation has been impacted by the pandemic, as highlighted below.

Pace of implementation

14. As noted above in paragraph 4, this report sets out progress with the actions that should now be in place according to the implementation dates proposed by management. In essence, therefore, this report is identifying the pace with which the agreed actions are being implemented. For each financial year, a key performance indicator has been agreed for 75% of agreed Priority 1 and Priority 2 actions to be implemented on schedule. The following chart tracks the pace with which actions have been implemented since action tracking began in 2017/18. The darker lines show Priority 1 actions for each year of audit, while the lighter lines show Priority 2 actions. The dashed line represents the 75% target.



15. The chart identifies that the pace of implementation of Priority 1 actions has seen some improvement in recent years, although the starting point for 2020.21 actions has fallen back. By contrast, the pace of implementing Priority 2 actions is seeing a recent decline.

Management updates to the Governance & Ethics Committee

16. The continued drive and support from the Committee will be key in securing improved implementation rates going forward. Arising from the details presented in this report, the Committee may consider that it requires further updates and assurances from management at its next meeting in relation to one or more of the areas in which agreed actions remain outstanding.

Other Options Considered

17. No other options for obtaining the required assurances were considered at this time.

Reason for Recommendation

18. To enable the Governance & Ethics Committee to consider whether it has received sufficient assurance that actions in response to Internal Audit's recommendations are being implemented as agreed, or whether it considers that further and more detailed updates from management are required.

Statutory and Policy Implications

19. 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.

Many of Internal Audit's recommendations are made with specific financial implications in mind. Such recommendations, and the associated management actions, are designed to secure effective governance, internal control, and risk management.

RECOMMENDATION

1) The progress detailed in the report and its appendix are considered, and the Committee determines whether it wishes to receive further and more detailed updates on progress from relevant managers in any of the areas of activity covered by this report.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Rob Disney, Group Manager – Assurance

Constitutional Comments (KK 19/10/2021)

The proposals in this report are within the remit of the Governance & Ethics Committee.

Financial Comments (RWK20/10/2021)

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

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
Year of audit: 2018/19			
Services to self-funders (ASCPH Dept) – June 2018			
Data collection and reporting self-funder numbers Mosaic field to record if a service user in care and in the system is, or was, a self-funder. Improved reporting on current and former self-funders and the projected and actual impact of care costs over time. <i>Risk: The projected financial impact of self-funders falling back on Council funding might not be identified.</i>	January 2019: Original target March 2021: The department will remain in an emergency response mode until at least June 2021 and we will not be looking to progress the work - the recording of self-funders in Mosaic - before then.	This work has not been progressed during the Covid-19 emergency response period. Some people choose not to have a financial assessment – potentially because they are receiving a very small package of care and support that they prefer to contribute to in full – and therefore information about these people may have to be captured in a different way.	To be followed up in next 6 months
Pensions Administration (Chief Executive's Dept) – July 2018			
Reconciliation of pension payments with pensions system Interim process to monitor that only authorised transactions have been processed, to be superseded by implementation of pension/payroll integration. Non-pension payroll payments to be authorised and controlled as part of the phased implementation of the single payments database. <i>Risk: Unauthorised payments could go undetected.</i>	March 2019 for single payments database March 2021: For pension non-recurring payments, for example refunds, lump sum payments and transfers, Pensions Administration have now implemented a single payments process, where payments can be made directly from the Pensions Administration System through BACS. The payments are then posted directly into the BMS system.	As March 2021: Implementation confirmed by management	To be tested as part of the forthcoming audit of Pensions Administration
Reconciliation of payroll records with pension records Reconciliation to confirm pensions being paid are those that should be paid. <i>Risk: As above</i>	October 2018 for payroll reconciliation stage for 2018 March 2021: Recent payroll data had been loaded into the pension system and discrepancies and payroll data was to be matched to pension calculation data over the following months.	Matching work is progressing. Discrepancies in the number and value of records between the two systems have been identified and are being investigated. This work is progressing alongside the complementary Guaranteed Minimum Payment (GMP) reconciliation project. Regular updates on progress with the	Progress with the reconciliation work will be assessed as part of the forthcoming audit of Pensions Administration

Overdue Priority 1 Actions

Appendix 1

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
		GMP project have been taken to the Nottinghamshire Pension Fund Committee.	
Ethical Framework (cross-cutting) – October 2018			
Register of Staff Gifts and Hospitality A consistent form of register for gifts and hospitality to be devised for use by all departments. <i>Risk: Staff may be unclear of rules and accept inappropriate gifts and hospitality without the knowledge or authority of management.</i>	March 2019 March 2021: Whilst there has been some work started on this matter, due to Covid-19, it has not been possible to progress things as intended.	Some progress is being made, however further discussions between HR and Legal Services are taking place in September 2021.	To be followed up in next 6 months
Staff Declaration of Interest A standard template to record notifications of interests to appropriate managers. Staff to be reminded annually of the requirements regarding notifying interests and declaring interests in meetings. <i>Risk: There may be inadequate safeguards to prevent inappropriate involvement by staff in decision making or access to documentation.</i>	March 2019 March 2021: This will be undertaken when the guidance has been implemented.	As above	As above
Payroll (Chief Executive's Dept) – October 2018			
Overtime and other timesheet payments entered, approved and paid to same person Routine report on the use of the business administrator role in BMS to be developed for review by the Payroll Manager. <i>Risk: Staff may make payments to themselves without this being checked by anyone else.</i>	July 2019 March 2021: The first report was run in February 2021. Employees authorising claims for themselves is quite prevalent in schools. Communications will be drafted for schools. Two internal NCC employees also completed the action within the last year.	The report was re-run and the issue still remains. Communications to schools to be included in a monthly newsletter in the next three months (December 2021)	To be tested for the next follow-up report, to review compliance over the period of the next 6 months
Information Governance Improvement Programme (cross-cutting) – December 2018			

Overdue Priority 1 Actions

Appendix 1

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
Information Asset Register (IAR) Complete IAR and address the actions log of issues identified by the register. <i>Risk: Sensitive personal information might be insecure or processed unlawfully.</i>	March 2020 March 2021: An exercise to assess the completeness and accuracy of IARs is scheduled in 2021/22, and specific training will follow more general training for all staff.	This action remains outstanding. The IAR validation exercise scheduled for Q4 of 2021/22 may take place, but the approach is being reviewed, and IAR training has been placed on hold as part of the review.	To be followed up in next 6 months
Retention of records Facilitate and monitor compliance with rules for the retention of records. This is expected to be included in the next phase two of the programme. <i>Risk: as above</i>	March 2020 March 2021: The retention of records is in the approach to electronic document and records management (EDRM), to be piloted in Legal Services in March 2021, then evaluated as to whether to roll it out across NCC.	A report on the Information Governance risk register sent to the Information Governance Board in August 2021 described the risk of retaining data longer than necessary as probably the most intractable risk. It mentions the need to develop a high-level business case for a corporate approach.	As above
Personal drives of leavers Review and remove personal h-drives for employees who have left. <i>Risk: as above</i>	March 2020 March 2021: Removal of leavers' personal h-drives awaits the lifting of the IICSA non-destruction order. The current migration to OneDrive will help identify h-drives for removal.	The advice is that these have to be retained until the IICSA non-destruction order is lifted - which will be January 2022 at the earliest. When it is lifted, they could be deleted 90 days after the employee has left.	As above
Year of audit: 2019/20			
Sickness Absence Management (cross-cutting) – September 2019			
Completion of mandatory training To monitor the completion, by line managers, of mandatory training, to bring the completion rate nearer to 100%. <i>Risk: Sickness absence may not be properly recorded and addressed.</i>	March 2020 March 2021: Mandatory training for managers has not been prioritised because many are part of the ongoing frontline emergency response to Covid-19. HR has focussed on supporting managers to deal with this by switching to virtual training and ensuring that employees and managers have the necessary skills and information to operate flexibly to facilitate emergency deployment.	Apparent improvement in managers doing sickness absence training from 17% to 44% despite no targeted work to improve it.	To be followed up in next 6 months

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
External Day Care Providers (ASCPH Dept) – December 2019			
Service provider tendering and contracting A competitive process to select external day care providers to be undertaken, instead of ASCH Commissioning annually extending contracts beyond the duration of the framework agreement that expired March 2016. <i>Risk: Non-accredited providers may offer poor value for money and there may be breaches of procurement regulations.</i>	June 2020 March 2021: The tender was prepared and due to go live in March 2020 but was pulled due to Covid-19. The impact Covid-19 has on the ability vulnerable people have to meet together in congregate settings means that there is a need to review the future service delivery model and specification. We will not simply be able to go live with the previous specification.	Covid-19 continues to impact this area. New contracts were issued to providers in April 2021 for one year under the same specifications as before, but will be updated following the strategy feedback. The Commissioning Board has since agreed to extend these until March 2023 to allow for the strategy to be consulted on. The strategy is being taken to Committee in September 2021.	To be followed up in next 6 months
Contract compliance – performance The relevant key performance indicators (KPIs) and quality standards to be a contractual requirement. <i>Risk: Providers may not fulfil their contractual obligations or be in breach of their contracts.</i>	KPIs will be in the new contract – see above regarding the timeline issue.	Monitoring of contracts is still based on the current specification therefore monitoring and auditing has been limited during Covid-19 due to the focus on safety and outbreak management. However, audits of contract compliance have now started again.	As above
Continuing Healthcare and Joint Funding (ASCPH Dept) – March 2020			
Formal approval by health partners ASCPH Commissioning and ASCPH Finance to continue to engage with health partners to reduce the backlog of Continuing Healthcare (CHC) Care Package Review forms (ACM33s), with the expectation they will start using Council's SharePoint system. <i>Risk: Inefficient working. Health partners may dispute or not pay their share of funding.</i>	April 2020 March 2021: Covid-19 has had a major impact on workflows. The work to update the CHC Panel Outcome Step is now underway, a follow-up request has been suggested for the end of March 2021. In terms of the interface with health partners, this in an ongoing, long-term goal, with no prospect of being discussed currently due to Covid-19.	A meeting is to take place within the next month to discuss the integration of the ACM33 form into Mosaic rather than having it in SharePoint. The ACM33 integration into Mosaic is seen as the first stage. It is hoped that our system and health partners will be able to swap information, as happens with some other systems, so transfer and approval can be made more efficient.	To be followed up in next 6 months
Form completion by social workers	See above.	The updated CHC Panel Outcome Step is now in the live Mosaic system and being used. An	As above

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
<p>ASCPH Commissioning and ASCPH Finance to continue to engage with social workers and team managers to improve the Care Package Review form submission process and first-time completion levels.</p> <p><i>Risk: as above</i></p>		<p>updated CHC Checklist will shortly be in the system once it has been approved by Health colleagues and undergone final testing. See above on the integration of the ACM33 form into Mosaic.</p>	
Year of audit: 2020/21			
Commissioning (cross-cutting) – June 2020			
<p>Alignment with corporate and strategies and objectives</p> <p>A schedule of commissioning activity to be aligned with strategies and objectives, and progress to be periodically reported. Consideration for developing market position statements.</p> <p><i>Risk: Slippage in commissioning undermines the achievement of service and corporate objectives.</i></p>	<p>October 2020</p> <p>March 2021: Following the disruption of Covid-19 and the conclusion of Newton Europe's phase 1 work, CLT have approved the scope of a series of cross-cutting transformation programmes of which strategic commissioning will be one. This will incorporate project workstreams addressing the audit recommendations raised.</p>	<p>The establishment of the ASCPH Commissioning Board ensures that there is good oversight of its forward commissioning and procurement plan. Moving forwards, the Strategic Commissioning Underpinning Cross-Council Programme will act as an enabler to joining up commissioning activity across the Council. The first phase is expected to be completed by end September 2022.</p>	<p>To be followed up in next 6 months</p>
<p>Commissioning Project Management</p> <p>Draft commissioning plans to be circulated between departmental commissioning boards, panels and teams and also a cross-departmental Expert Commissioner group.</p> <p><i>Risk: Opportunities for joint working and commissioning are missed at the operational level.</i></p>	<p>As above</p>	<p>An output of the first phase of the Strategic Commissioning Underpinning Cross-Council Programme will be the publishing of the Council's commissioning intentions. Departmental and Public Health representatives have been put forward to be part of a group that will be undertaking a series of workshops to challenge and improve the Council's strategic commissioning processes. Work to commence: November 2021</p>	<p>As above</p>
<p>Training and quality control</p> <p>A framework of commissioning courses ranging from basic to advanced, sourced either internally or</p>	<p>As above</p>	<p>A cross-departmental task and finish group of commissioners will be carrying out a skills audit and develop a training plan to deliver the organisational development and cultural change as part of the adoption of the Strategic</p>	<p>As above</p>

Overdue Priority 1 Actions

Appendix 1

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
externally, to be established and rolled out. <i>Risk: The quality of commissioning activity varies across the organisation.</i>		Commissioning Framework and Toolkit Launch of framework, toolkit and training plan – April 2022.	
Databases and data analysis Commissioning groups and teams to review the data analytical skills required of staff and consider options for addressing skills gaps. <i>Risk: Best practice is not promoted resulting in sub-optimal outcomes.</i>	As above	The current Strategic Commissioning Programme will be supported by a Business Analyst from the Strategic Insight Unit. As the Programme progresses, there will be learning and recommendations made on how Strategic Commissioning is best supported going forwards.	As above
Governance arrangements An Expert Commissioning Group to be formed and hosted by Corporate Procurement to promote best practice, provide peer review, and develop a commissioning training structure for the organisation. <i>Risk: As above</i>	As above	The Strategic Commissioning toolkit will be launched to set out best practice to help officers lead or support a commissioning cycle, offer tools and techniques for effective strategic commissioning and advance a culture of continual improvement. Launch of framework, toolkit and training plan – April 2022.	As above
Business Continuity Planning (cross-cutting) – August 2020			
Training The Emergency Planning Team to submit a report to the RSEMB on training options and other matters arising from the returned questionnaires. <i>Risk: Lack of engagement from BCP managers and ineffective actions taken in the event of an emergency situation.</i>	March 2021 March 2021: Progress has been prevented by Covid-19 response and recovery work.	Sadly, Covid-19 response and recovery activities continue to dominate the priorities of the Emergency Planning Team, alongside statutory imperatives such as our Safety of Sports Grounds work. As a consequence the position remains pending until Covid-19 response and recovery work permits.	To be followed up in next 6 months
BCPs on SharePoint Managers of critical services in the ASCPH and C&F Departments need to produce BCPs for the 10 critical services currently without one. Once	As above	As above	As above

Overdue Priority 1 Actions

Appendix 1

Agreed action and risk	Original implementation target and position at March 2021	Latest progress update	Internal Audit follow-up
completed they need to be uploaded onto SharePoint. <i>Risk: Services deemed as critical do not have an action plan in the event of an emergency.</i>			
Annual Reviews of BCPs Managers of Critical Services to ensure that BCPs to be reviewed, updated, and exercised, given that some are over four years old and the confirmed exercise rate. <i>Risk: Actions taken in response to an emergency situation are not effective, exposing the Council and its service users to prolonged disruption.</i>	As above	As above	As above
Active Directory (Chief Executive's Dept) – March 2021			
AD Administrative Accounts An AD audit tool to be brought in and reports from this to inform the decision to revoke any unnecessary access. <i>Risk: A compromised privileged AD administrator could control over wide areas of the IT infrastructure, systems, resources and data.</i>	August 2021	We made some inroads but the lead engineer tasked with implementation was re-directed onto a project/program called Investing In Notts which involves setting up technology to accommodate hybrid meeting rooms, seen as an organisational priority. The recommendations will become a priority for the lead engineer when the work for Investing in Notts has been completed shortly.	To be followed up in next 6 months
AD Periodic Maintenance A new process to be developed to use the AD auditing tool to identify stale accounts, organisational units and security groups. <i>Risk: Poor management and clean up procedures can leave organisations exposed to cyber attacks and result of costly data breaches.</i>	August 2021	As above	As above

11 November 2021

Agenda Item: 8

REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT

INTERNAL AUDIT PROGRESS TERM 1 2021-22 AND TERM 3 PLAN 2021-22

Purpose of the Report

1. To inform Members of the work carried out by Internal Audit in Term 1 of 2021/22, to allow Members to consider whether they wish to receive any further follow-up reports.
2. To consult with Members on the Internal Audit Plan for Term 3 of 2021/22.

Information

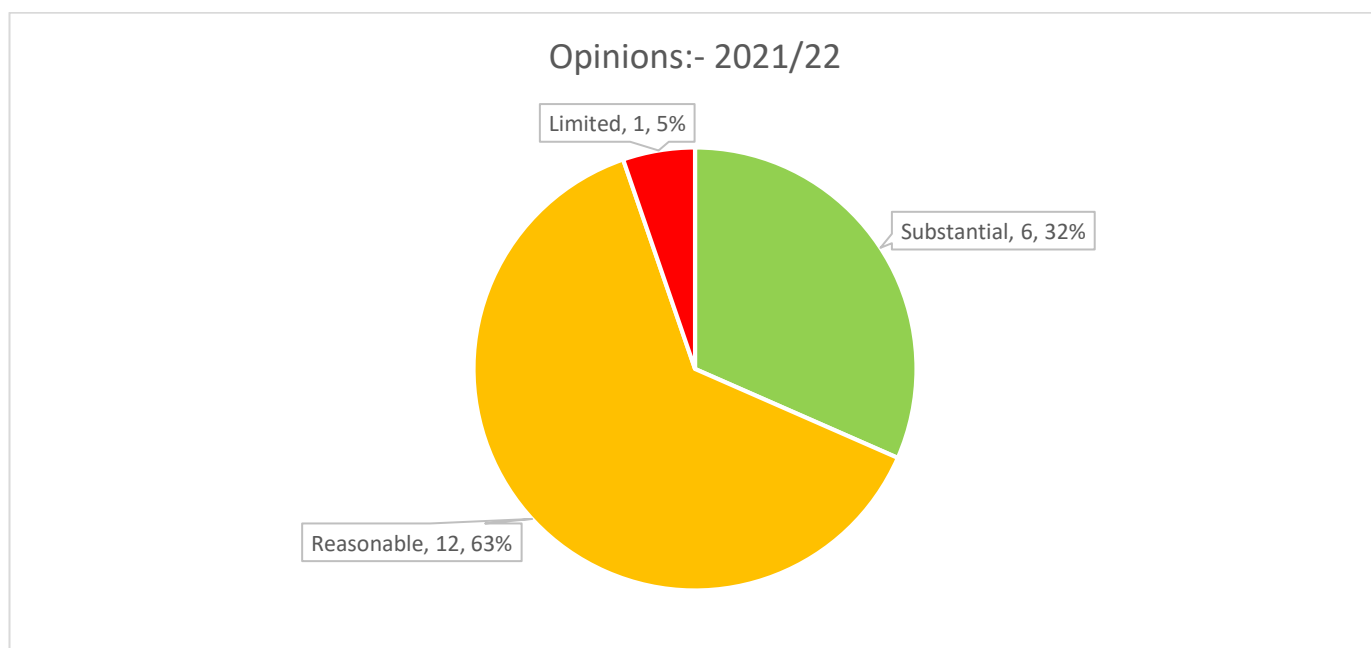
Internal Audit's work in Term 1 2021/22 – April 2021 to July 2021

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 distribution of opinions issued during Term 1 2021/22.

Chart 1- Opinions for Term 1 2021/22



5. In terms of the work completed on the County Council's services and systems, **Chart 2** analyses the opinions issued in Term 1 2021/22 by service area and level of assurance.

Chart 2- Opinions for Term 1 2021/22

	LIMITED ASSURANCE	REASONABLE ASSURANCE	SUBSTANTIAL ASSURANCE
COUNCIL-WIDE		Assurance Mapping NCC Companies Governance Annual Governance Statement UK Community Renewal Fund	Post Payment Assurance PPE Controls
CHILDRENS PLACE		Through Care Placements Travel & Transport COVID Culture Payments	
ADULTS		Hospital Discharges	Safeguarding
CHIEF EXEC'S		EM Dev Co Ltd	
School Audits	1 Visit	3 Visits	3 Visits

6. The significant pieces of assurance work during Term 1 were the following:
- Assurance Mapping – capture and review of evidence that core processes of the Council are operating effectively. The outputs from this work were reported to Committee in June 2021.
 - NCC Companies Governance – assurance over the governance arrangements for companies in which the Council has an interest.

- Post Payments Assurance – assurance over the controls in operation for non-routine payments during the pandemic
 - PPE Controls – assurance on the operation of controls to procure and manage the distribution of PPE.
7. **Chart 1** includes schools audits undertaken by the Children's & Families' Finance Team. These visits were suspended when the pandemic hit but have now resumed.

Advisory input

8. Internal Audit continued to provide advisory input to developments in response to the Covid19 pandemic. The following summarises the key areas of activity:
- COVID Culture Payments – advice and review of additional payment requests received from external providers.
 - Council Elections – advice on controls for the operation of elections during COVID
 - Post 16 Colleges – advice on the review of expenditure and budget
 - UK Community Fund – advice on the development of controls for processing applications.
9. Internal Audit's advisory input ensures that timely advice is delivered and has the opportunity to 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 1. The following summarises the key areas of activity:
- Annual Fraud Report – capture, review and completion of activities to generate the annual report.
 - 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.

Internal Audit Performance

12. **Appendix 1** provides an update on the Section's performance in Term 1 against its key indicators. It includes the following charts to depict progress against the Term 1 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.

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

- Staffing resources – the team’s two Internal Audit Apprentices continue to progress well with their training, which is bringing a fresh and positive impetus for the Team. The time contingency required for the apprentices’ training and development is a limiting factor in the extent of audit coverage that may be planned for, and the challenge of conducting training remotely has added to this. Nonetheless, the benefits are significant, and the team continues to supplement its capacity through the standing placement opportunity it offers for one of the Council’s Graduate Trainees. The latest Graduate has undertaken excellent work, especially in relation Covid 19 reviews and Covid 19 payments to culture service providers. Internal Audit also took on a temporary recruit under the Change 100 Programme. This is a programme created by the Leonard Cheshire charity, with which the Council is actively engaged. It comprises paid work placements and mentoring for disabled students and recent graduates.
- Corporate risk management – the Corporate Leadership Team approved the re-allocation of responsibility for corporate risk management from the Emergency Planning Team in the Place Department to the Assurance Group in the Chief Executive’s Department. This transfer was due to take place sometime during 2020/21 but was accelerated due to the pressures of the pandemic on the Emergency Planning Team. In the event, the Internal Audit Team was best placed to take on the initial task of updating the risk register for the impacts of Covid-19, and responsibility for the corporate risk management function in the short-term. It is not sustainable for the Internal Audit team to continue with this responsibility, due to the impact it has on the audit coverage the team must deliver. Additional capacity for corporate risk management is presently being sourced through consultancy days available from Zurich Municipal through the current insurance contract. This can be retained through to the first quarter of 2022/23, allowing for a longer-term solution to the resourcing of corporate risk management to be determined.
- Implementation rates for actions arising from audits are off target, and this is highlighted in the separate report on today’s agenda concerning the follow-up of agreed recommendations.

Proposed Internal Audit Plan for Term 3 2021-2022

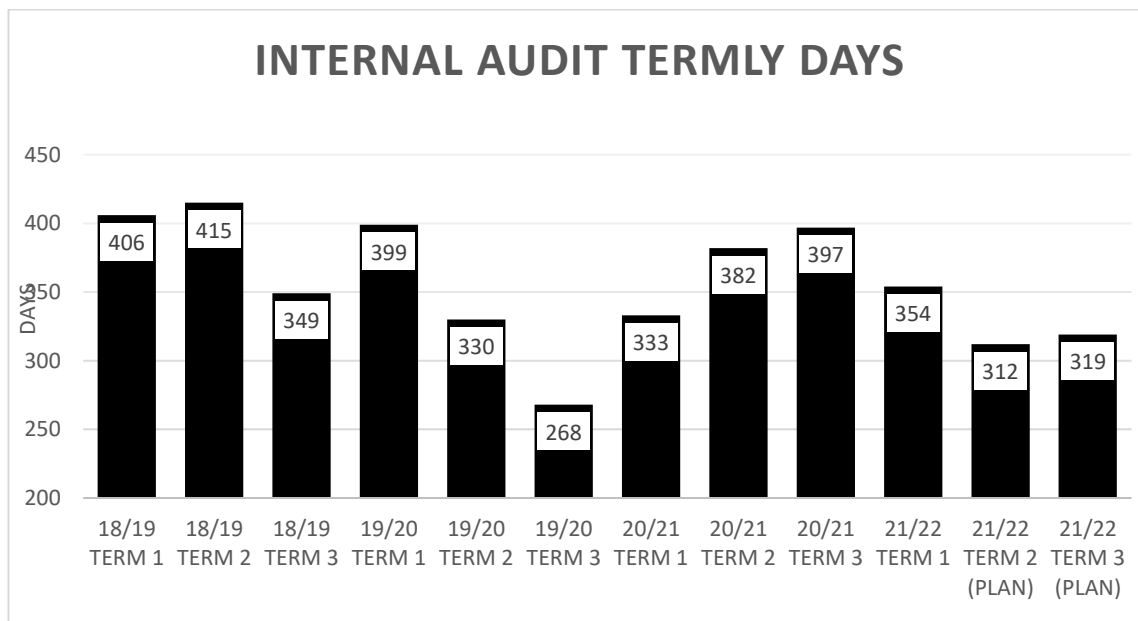
14. Internal Audit termly plans continue to be determined on a risk basis, as required by the Public Sector Internal Audit Standards, and using the new methodology identified in the Term 2 plan report.
15. Termly planning continues to be developed in an agile way allowing the precise scope and objectives 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 objectives 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.
16. The Term 3 plan represents the Section’s assessment of the key areas that need to be audited in order to satisfy the Authority’s statutory responsibility to undertake an adequate and effective internal audit of its system of internal control. The Section’s aim is to complete

enough work to express an overall, annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements.

17. **Appendix 1** sets out details of the draft coverage by Internal Audit for Term 3, and it is summarised in the following table.

Assurance from Audit Coverage	Days	Outputs
Second Line Assurance work	60	3
Opinion Assurance	158	10
Advice / Consultancy Assurance	80	1
Counter Fraud Assurance	21	4
Certification Assurance	0	0
Total	319	18
External Clients (Notts Fire & Rescue Service)	54	
Grand Total	373	

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



19. The next Internal Audit update to Committee will cover details of the outcome of Internal Audit's work in Term 2 (August – November 2021).

Other Options Considered

20. The Internal Audit Team is working to the Public Sector Internal Audit Standards during 2021/22. 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

21. To set out the report of the Group Manager – Assurance to propose the planned coverage of Internal Audit's work in Term 3 of 2021/22, providing Members with the opportunity to make suggestions for its content.

Statutory and Policy Implications

22. 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

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/S

- 1) Arising from the content of this report, Members determine whether they wish to see any actions put in place or follow-up reports brought to a future meeting.
- 2) That the planned coverage of Internal Audit's work in Term 3 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:

Rob Disney

Group Manager - Assurance

Constitutional Comments (EKH 21/10/2021)

23. This report is appropriate to be considered by Governance and Ethics Committee and they have the power to make any resolution resultant upon the recommendation.

Financial Comments (RWK 20/10/2021)

24. 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

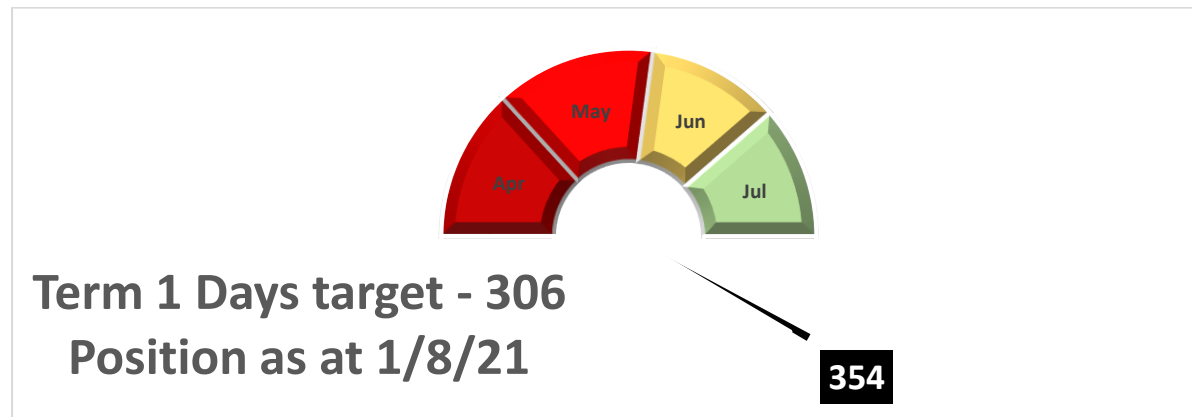
Electoral Division(s) and Member(s) Affected

- All

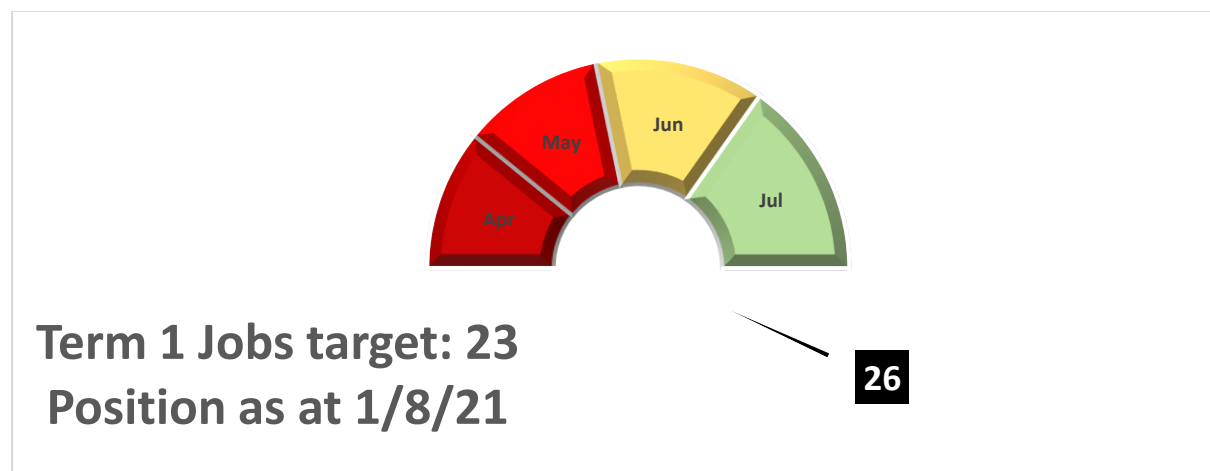
Internal Audit Performance - Term 1 – 2021/22

Appendix 1

Term 1 – Inputs – Days Delivered



Term 1 – Outputs – Jobs Completed



Term 1 – Productivity Indicator



Key Performance Indicators

Performance Measure/Criteria	Target	Outcome in Term 1
1. Risk-aware Council		
Completion of Termly Plan – Days	90%	✓ 115%
- Jobs	90%	✓ 113%
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 – Sept 2021
2. Influential Audit Section		
Recommendations agreed	95%	✓ 100%
3. Improved internal control & VFM		
Percentage of Priority 1 & Priority 2 recommendations implemented (Position as at November 2021 for 2020/21 actions)	75%	✗ 52% Priority 1 ✗ 69% Priority 2
4. Quality measures		
Compliance with the Public Sector Internal Audit Standards (PSIAS)	Compliance achieved	✓ Head of Internal Audit's self-assessment against PSIAS for 2020/21
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)	✓ 3.5

Area of Assurance Coverage	Priority Level (if risk assessed)	Job count	Other 3rd Line Assurance	Assurance from audit coverage and planned days					Potential scope or area of assurance coverage
				2nd Line Assurance Role	Opinion Assurance	Advice/ Consultancy Assurance	Counter- Fraud Assurance	Certification Assurance	
Audit Risk Assessment - Assurance Requirements for Term 3				Rationale for Assurance Requirement					
Governance Framework									
Continuous audit assurance	H	1		25					Core process based : continued development of routine assurance that core processes are operating as intended, or to identify areas for management attention.
Assurance Mapping	H	1		30					Core process based : Completion of the annual assurance mapping exercise to capture assurance from across the Council to inform the Annual Governance Statement.
Cabinet/Scrutiny Governance Framework	H	1				25			Advice/Consultancy: Provide advice and insight to the revised Council Cabinet and Scrutiny arrangements and supporting governance framework to support its operation.
Annual Governance Statement	H	1		5					Core process based : Co-ordinate evidence gathering for the Annual Governance Statement and to draft the statement for 21/22
Transformation and Change programme	H	1			15				Intelligence based : contingency of days to engage with the corporate, transformation and change programmes, and with departmental service development approaches - to provide timely assurance on their implications for governance, risk management and control
Alternative Service Delivery Models (ASDM) Financial Viability & Sustainability	H	1			10				Intelligence based : follow-on from the review in Term 2 to carry out a deeper review where gaps in assurance were identified around the financial viability and sustainability of some of the Council's commercial interests. To incorporate learning from the Public Interest Report at Liverpool City Council.
Counter-fraud	H								
Counter Fraud - Progress Report		1					5		Counter fraud : Identify areas for subsequent counter fraud activity as a result of the Fighting Fraud & Corruption Locally assessment and completion of the Counter Fraud Annual Report.
Pro-active counter-fraud – NFI 2018-20 - Review of Matches and 2020-21 submissions		1					7		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		1					8		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		1					1		Counter fraud : Regular liaison to address concerns of misuse of direct payments, and other possible financial abuse involving service users
ICT Patching and Change Management	H	1			5				Core process based : continuation from Term 2 to review whether robust corporate systems are operating effectively
Cloud Services - NAO Guidance	H	0			10				Intelligence based: Review of arrangements for the delivery of Cloud Services compared to guidance from the NAO
Cyber Security	H	1			20				Core process based : review processes in place to provided assurance through Public Services Network (PSN) and Cyber Essentials accreditation
Regional Adoption Agency	H	1			15				Intelligence based : Continuation from Term 2 to review the commercial operation of the agency
Adults Workforce Planning	H	1			8				Intelligence based : Completion of Term 2 activity to review plans and initiatives around workforce resilience, to address the reduction in staffing numbers and review the use of agency contract workers
Climate Change	H	0				10			Intelligence based : Assurance in relation to the Council's planning, monitoring and reporting arrangements to progress its stated objectives with regard to the climate agenda through initial monitoring of the framework established with reference to NAO guidance and subsequent deeper dive activities within subsequent Terms.
Property Compliance (Vacant Property follow Ups)	H	1			15				Intelligence based : Changed arrangements for assurance via Arc Partnership, plus potential for deeper review of vacant property
Direct Payments - Use and Control of Provider Payments	H	1			15				Intelligence based : Review the controls in place for the management and control of direct payments building on intelligence from counter fraud activates to ensure internal controls are effective.
Pensions - Non LGPS Investments	H	1			15				Core process based : Review Pension Fund investments that are not managed through the LGPS Central Ltd following completion of the Partner audit review.
Workforce Strategy	H	0			5				Core process based : Provide assurance that objectives and plans for meeting the future requirements for workforce skills and capacity are progressing in line with project delivery

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	
Value for Money - Expenditure Reviews	H	1			25				Intelligence based: National financial pressures and changing external audit focus bring a renewed importance to ensure that Value for Money (VFM) is obtained across the Council through expenditure reviews.
Sub-totals				60	158	35	21	0	
Planning, reporting, client management									
Governance & Ethics Committee		0				10			Preparation of reports in accordance with the Governance and Ethics Committee annual work plan and attendance at meetings
Client management		0				20			Planning and termly progress reports to Corporate Leadership Team
Advice		0				15			Advice to client on financial and other controls, on request
Sub-totals				0	0	45	0	0	
Grand Totals		18		60	158	80	21	0	
				319					
Forward Plan for assurance in subsequent Terms									
Property Sales	H								Intelligence based: Review of changes to procedures recommended within the previous audit to provide assurance over the operation of new controls.
Thematic Review of Schools Finances	H								Intelligence based: Undertake a review of processes within schools based on risks emerging from routine schools visits audits
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

11 November 2021**Agenda Item: 9****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 2021/22, and to request Members' feedback regarding the most significant governance issues currently facing the Council and whether revised actions are needed to address emerging risks.

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. The latest quarterly update identifies the following as the most significant governance issues for the Council. The Authority remains on an emergency response footing, as the global pandemic continues to dominate its priorities. The impact of Covid19 pervades all aspects of the Council's activities, including how it is currently applying its Local Code of Corporate Governance. This will remain the case for some time yet, through the remaining stages of the national emergency and into the recovery stage that lies ahead. Rather than include the impact of Covid19 as its own entry on the list of significant governance issues, it is referenced throughout this update wherever its influence is especially pertinent.

Issue	Comment
Cabinet/Scrutiny model of corporate governance	Full Council gave approval in September 2021 to the development of proposals to change the Council's governance arrangements from a committee system of governance to the executive system (Leader and Cabinet model). This now requires a significant allocation of officer resource to develop proposals, working alongside a member working group. Plans will be considered by the Council in due course, with a view to the new system coming into effect in May 2022.
Climate change	At its Annual General Meeting on 27/5/2021, the Council declared a Climate Emergency and tasked its new Transport and Environment Committee to drive measures to achieve the Council's commitment to achieving carbon neutrality by 2030. All other committees of the Council are expected to adhere to this principle through the decisions they take. Progress against the commitment will be reported regularly to Full Council.
The transformation agenda	<p>The Council's revised approach to transformation and change is progressing four cross-cutting transformation programmes, with two underpinning strands of work. A new staffing structure for corporate transformation and change is now in place, including the establishment of the Strategic Insight Unit, along with revised business processes, governance arrangements and co-ordination with departmental service improvement activity.</p> <p>The importance of this work has been compounded by the impact of the pandemic on the County's residents and businesses, alongside the impact on the Council's finances. The scope and focus for transformation and change is being reshaped around the Council's resilience, recovery and renewal objectives.</p>
Financial resilience and sustainability	The COVID-19 pandemic has placed significant, unforeseen and additional financial burdens on the Council. The importance of effective management of the most volatile elements of the annual budget is heightened and remains a key area of focus. The regular review of the financial impacts and the regular Government returns are now established as business as usual, and 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. The Council will still have a financial gap over the MTFS and Policy Committee in October 2019 set out a new model for transformation (Achieve/Transform/Save) and since then identified a number of key transformation programmes to enable the Council to address this gap leading to future financial sustainability.
Fair Funding & Business Rates Retention	Progress has been delayed again due to the pandemic, and the Council continues to campaign for the promised Fair Funding Review to occur. It is hoped that the scheduled Budget announcement in November 2021 will provide an update.
Pressure on core systems of internal control	The findings of Internal Audit over recent Termly Audit Plans are not identifying a concerning number of areas in which only limited assurance can be provided over the effectiveness of internal controls. However, the Group Manager – Assurance has reported to the Governance & Ethics Committee a decline in the pace of implementation for agreed actions following audits. Understanding the impact of the pandemic on the internal control framework in the Council is key to achieving an appropriate balance between probity and speed of response.
Vulnerability to fraud	The Annual Fraud Report for 2020/21 was presented to the Governance & Ethics Committee in September 2021. The incidence of internal fraud remains low, but the Council continues to be the target of attacks from external sources, notably in relation to its suppliers' bank details. The Council is also alert to the opportunities that fraudsters seek to exploit from the pandemic situation and is conducting targeted internal audit work in this area.

Issue	Comment
UK General Data Protection Regulation (GDPR) / Data Protection Act 2018	The Information Governance Improvement Programme closed in March 2020, having helped the Council make significant improvements in its exposure to reputational and financial risks of breaches in data protection. Ongoing Information Governance risks, their severity and mitigations are regularly considered by the Information Governance Board (IGB). Risks associated with data flows at the end of the UK EU transition period (end Dec 2020) are being actively managed. Incremental improvements will be made to enhance electronic document and records management, exploiting new technologies and progress in this will also be considered by the IGB. The Council submitted its latest, annual Data Security and Protection Toolkit self-assessment to NHS Digital over the summer.
Move to the Cloud and ICT resilience	<p>The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work continues to provide these services using a 'cloud' based online approach, as part of the plans to use the latest technology to provide more cost-effective ICT Services. The most appropriate ICT systems and applications remain under review, both in light of the response to the pandemic and with a view to the Council's emerging plans for recovery and renewal.</p> <p>The impact of new ways of working for the vast majority of the Council's staff has required an increase in ICT resilience to enable Council staff to work more effectively at home and with the right technology in place. A range of actions have been taken to achieve a stable service, and this will receive continual monitoring and further update reporting to the Finance Committee.</p>
Post-EU transition implications for the Council	The Council put in place a risk register following the referendum in 2016, to assess the implications for its continued delivery of local services. The potential risks for the Council arising from the UK's revised relationship with the EU have now been assimilated into the wider range of risks captured on the corporate risk register.
Local Government Association Peer Challenge	The LGA Peer Challenge was conducted in June 2019 and its subsequent report recognised a number of the Council's key attributes that underpin the positive findings of the Review Team. Progress against the recommendations accepted from the report are being monitored by the appropriate committee for each action.
Ofsted inspection of Children's Services	The inspection endorsed the actions set in train to deliver improvements in discrete aspects of the service, and the Children & Young People's Committee is overseeing implementation. An annual conversation took place between Ofsted and the Children and Families Leadership Team as part of the Ofsted inspection framework in November 2020, at which the Council's safeguarding response to Covid was considered, alongside a review of the department's self-evaluation of practice and progress against the areas for improvement identified during the inspection in October 2019. This was a constructive conversation which recognised the commitment that the Council has displayed to continuing to improve services for vulnerable children and young people. A full report was scrutinised by Children and Young People's Committee in February 2021, and six-monthly updates on progress against the action plan continue.

5. The thoughts and insight of Corporate Leadership Team colleagues are sought on a regular basis to assess whether the above list continues to represent the most significant governance issues on which the Council needs to focus. To assist with this, CLT colleagues are asked to consider 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 2021/22 is set out in **Appendix 1**, showing the progress that has been identified through consultation with relevant managers.

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/S

- 1) That Members determine whether they wish to see additional actions taken, or to receive further reports relating to the governance issues raised in this report.

Nigel Stevenson
Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Rob Disney, Group Manager – Assurance

Constitutional Comments (EKH 18/10/2021)

10. This report is appropriate to be considered by Governance and Ethics Committee and they have the power to make any resolution resultant upon the recommendation.

Financial Comments (SES 13/10/2021)

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
Significant Governance Issues: The transformation agenda and financial resilience/sustainability			
1. Modelling sustainable savings plans – approval of ‘Options for Change’ cases for implementation <i>(Also links to LGA Peer Challenge)</i>	Service Director - Transformation	Autumn 2021	 In progress
<p>The Council's revised approach to transformation and change was approved by the former Improvement & Change Sub-Committee, including the four cross-council programmes and two underpinning strands of work. Scoping documents for each of these programmes have been prepared, with full ‘Options for Change’ cases to be submitted for approval over the autumn.</p> <p>The newly established Strategic Insight Unit will have a continuing focus on identifying opportunities for sustainable transformation going forward.</p>			
2. CIPFA Financial Management Code	Group Manager – Finance Strategy & Compliance	The code has now been implemented and the first full year of compliance is 2021/22.	 In progress
<p>The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:</p> <ul style="list-style-type: none"> financially manage the short, medium and long-term finances of a local authority manage financial resilience to meet unforeseen demands on services manage unexpected shocks in their financial circumstances <p>An updated assessment against the full code was presented to Finance Committee on 6/9/2021. The assessment was that NCC meets 14 of the 17 standards and exceeds the requirements of the other three.</p>			
3. Transformation best practice: carry out the National Audit Office self-assessment guidance for best practice in Member scrutiny of transformation.	Group Manager Assurance	June 2021	 Completed
This was conducted as a piece of internal audit work, using the self-assessment as a basis for the audit programme. The final report was issued in April 2021 and returned an opinion of ‘reasonable assurance’. The recommendations were accepted for implementation.			

Planned Action	Officer responsible	Target date for completion	Progress status
4. Fair Funding & Business Rates Retention: continue to be active in campaigning for the Fair Funding Review to take place.	Service Director – Finance, Infrastructure & Improvement	Ongoing pending an announcement from Government	 In progress
<p>The original plan was for these reviews to be completed by 2020. Unfortunately, successive local government finance settlements have postponed this process, for a number of differing reasons, and therefore implementation into future years. Currently, there is considerable uncertainty as to whether Government has the appetite or Parliamentary time to pursue this in the original shape when first announced in the Chancellor's Autumn Statement in 2017. The various MHCLG/LGA working groups have not met for well over a year and the Local Government Settlement in December 2020 indicated implementation would be subject to future announcements.</p> <p>The scheduled Budget announcement in November 2021 will hopefully provide some updates on planned progress in this area.</p>			
Significant Governance Issue: Local Government Peer Challenge			
5. Developing an inclusive vision for Notts and showing leadership of place	Chief Executive	Autumn 2021: approval of new Council Plan	 In progress
<p>Plans for recovering from COVID-19 will encompass the Council's aspiration for devolution and for building on the Government's 'Levelling-Up' White Paper. We will want to examine all aspects of public sector reform, through conversations with our partners about working more closely together, aligning our services and looking at structures that might be both beneficial and acceptable to all. Progress continues with the preparation of the new Council Plan and the opportunities being taken to engage fully with all our partners and stakeholders. Senior members and directors continue to play an active role in the Nottingham & Nottinghamshire Economic Prosperity Committee.</p>			
6. Post-pandemic review: formally review the Council's response to capture and apply learning for the future. This will build on two reports to date to Policy Committee on the impact of COVID-19.	Chief Executive	To be determined as the course of the pandemic permits	 In progress
<p>Internal Audit has completed two reviews of the organisational response to the emergency, both of which delivered positive assurance. A follow-on review of the Council's emerging plans for recovery and renewal is currently being finalised. The Emergency Planning Team has reported the outcome of its debriefing survey to the Council's Risk, Safety and Emergency Management Board. This</p>			

Planned Action	Officer responsible	Target date for completion	Progress status
considered the Council's management of the emergency through its emergency response framework and through its significant role within the Local Resilience Forum (LRF). A fuller review through the Local Resilience Forum will be conducted in due course.			
Significant Governance Issue: Cabinet/Scrutiny model of governance			
7. Implementation of Cabinet/Scrutiny model of corporate governance: incorporating work to review the constitution and operating model <i>(Also links to LGA Peer Challenge)</i>	Service Director – Customers, Governance and Employees	April 2022	 In progress
Full Council gave approval in September 2021 to the development of proposals to change the Council's governance arrangements from a committee system of governance to the executive system (Leader and Cabinet model). This will require a comprehensive reworking of the Council's constitution, therefore this action now incorporates the previous entry on the Governance Action Plan for the constitution to be reviewed.			
Significant Governance Issue: Ofsted inspection of children's services			
8. Ofsted inspection of children's services	Corporate Director – Children and Families	Ongoing in 2021/22	 In progress
Children and Young People's Committee received a report in February 2021 of the good progress being made against the action plan, along with a report of the constructive, annual conversation that took place between Ofsted and the Children and Families Leadership Team as part of the Ofsted inspection framework. The next six-monthly progress report will be considered by the Children & Families Committee in November 2021.			
Significant Governance Issue: Vulnerability to fraud and cyber security			
9. Social care fraud risk: Continue to monitor implementation of the agreed actions from the internal audit review of the Council's response to social care fraud.	Group Manager – Assurance and Service Directors/Group managers with responsibility for social care services	Periodic updates to the Governance & Ethics Committee through Internal Audit's follow-up procedure	 In progress
The latest position against the agreed actions from Internal Audit's previous reports on this issue shows positive assurance on progress.			

Planned Action	Officer responsible	Target date for completion	Progress status
Significant Governance Issue: UK General Data Protection Regulation (GDPR) / Data Protection Act 2018			
10. Information Governance risks	Service Director – Customers, Governance and Employees	Ongoing in 2021/22	 In progress
The Information Governance Board, chaired by the Council's Senior Information Risk Owner (SIRO) and comprising senior representation from each Council Department along with the Data Protection Officer and Caldicott Guardian, meets regularly to keep IG risks under active management.			
Significant Governance Issue: Move to the Cloud and ICT resilience			
11. ICT resilience: keep the resilience of ICT provision, and development of digital working solutions, under frequent review to remain aligned with the Council's operating environment during recovery from the pandemic.	Group Manager - ICT	As part of established reporting to the Finance Committee in 2021/22	 Continuing and stable
Substantial improvements in the resilience of our ICT systems were made, which supported the Council in its response to the pandemic. Quarterly ICT performance updates are now presented to the Finance Committee; the latest report was considered by the Committee in October 2021. A number of programmes are in train to improve resilience further, such as the Computer Equipment Replacement Programme, Cloud technology and Wide Area Network improvements			
Issues arising from the review of compliance with the Local Code of Corporate Governance			
12. Equality Impact Assessments (EIA) – review the approach with key stakeholders and deliver refresher training workshops for completion of EIAs, along with an online e-learning package.	Service Director – Customers, Governance and Employees	January 2022	 In progress
The review of EQIAs has been completed using a working group, drawing members from across the Council. Consideration is currently being given to significant changes to the form. The key issue remains one of when to complete an EQIA and their relevance, and we are in the process of consulting on the changes proposed with the relevant parties, including the recognised trade unions.			

Planned Action	Officer responsible	Target date for completion	Progress status
Advice and guidance continues to be provided to managers across the Council undertaking service reviews or making changes to how work is delivered on content and necessity for EqlAs to be completed as part of consultation processes.			
13. Register of Interests – completion of the current review by Legal Services, followed by approval of proposed changes and awareness raising.	Group Manager – Legal, Democratic & Complaints	March 2022	 In progress
Progress has been restricted by continuing demands on relevant officers. Outcomes are expected to be completed by the end of 2021/22 and further progress will be reported back in the Autumn.			
14. Planning & Performance Management Framework: review the framework in line with the development of the new Council Plan	Group Manager – Transformation & Change	Autumn 2021	 In progress
<p>The opportunity of the new Council Plan is being taken to refresh the Planning & Performance Management Framework. This will bring forward proposals for business intelligence reporting at all levels in the performance hierarchy. This revised action will incorporate a number of others which remained outstanding at the end of 2020/21, namely:</p> <ul style="list-style-type: none"> - The assimilation of finance, performance and transformation reporting to the Corporate Leadership Team - Improvements to performance reporting in specific departments, notably in Place and the Chief Executive's Department - The co-ordinated use of benchmarking tools – this will be taken forward by the Strategic Insight Unit for consideration as part of its array of intelligence sources to inform its work. 			
15. Risk management: agree and implement a revised approach to risk management for the Council	Group Manager – Assurance	March 2022	 In progress
The outcome of the external report on the Council's arrangements for risk management was reported to the Governance & Ethics Committee in September 2021, along with outline details of the action plan now in place to implement the revised approach.			

Planned Action	Officer responsible	Target date for completion	Progress status
16. Vacant property management: further progress report to Governance & Ethics Committee on actions to address the risks identified by the internal audit	Corporate Director - Place	Periodic updates to the Governance & Ethics Committee through Internal Audit's follow-up procedure	 In progress
The latest update against the agreed actions from Internal Audit's previous reports on this issue identifies management assurance that the actions have been taken. The operating context for this area has changed significantly since the original audit was undertaken, therefore a fresh audit is due to be carried out towards the end of the financial year.			
17. Data quality in Mosaic: greater priority given to addressing issues highlighted by routine reporting	Corporate Director – Adults Social Care and Public Health, working with the Group Manager - Assurance	March 2022	 In progress
As part of the 'Simplifying Processes' service improvement programme in ASCH, a consultant has been engaged to review reporting arrangements from Mosaic data. This will embrace standard principles for effective management information, therefore it is expected that this review will now embrace this action.			

11 November 2021**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 2021-22.

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 items will be added to the programme as they are identified. The meeting dates and agenda items are subject to review in light of the ongoing COVID-19 period.
4. The work programme is currently being reviewed and a more comprehensive appendix will be prepared for the next meeting.

Other Options Considered

5. None

Reason/s for Recommendation/s

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

Statutory and Policy Implications

7. 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)

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

Financial Comments (NS)

9. 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 28 OCTOBER 2021)

<u>Report Title</u>	<u>Brief Summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
16 December 2021			
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	Marie Rowney
Review of virtual and hybrid meetings	To consider the impact of virtual and hybrid meetings including on public engagement	Marjorie Toward	Dem Services / Comms / ICT
Internal Audit Strategy 2022-2024	To consider a proposed refresh of the strategy to link in with the emerging Council Plan	Rob Disney	Rob Disney
Internal Audit Charter	To review the Charter for the operation of internal audit in the Council	Rob Disney	Rob Disney
Update on the Use of the Councillor's Divisional Fund	To consider six monthly update	Marjorie Toward	Keith Ford
27 January 2022			
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	Marie Rowney
Fraud update report	To consider progress against the counter-fraud and counter-corruption action plan	Rob Disney	Simon Lacey
Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report 2020-21	To consider the annual report	Marjorie Toward	Heather Dickinson / Emma Hunter
10 March 2022			
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	Marie Rowney
Whistleblowing update	To update the committee on whistleblowing activity during 2021 Page 133 of 136	Marjorie Toward	Heather Dickinson / Emma Hunter

Corporate Governance Update	To receive an update on progress against the Annual Governance Statement action plan for 2021.22	Rob Disney	Rob Disney
Internal Audit Term 3 (2021/22) Report and Term 1 (2022/23) Plan	To review the outcomes of Internal Audit's recent work and consider proposals for planned coverage in the next term	Rob Disney	Simon Lacey
Corporate Risk Management 6-monthly update	To consider the updated corporate risk register and developments in the Council's approach to risk management	Rob Disney	Simon Lacey
Whistleblowing Policy Review	To consider the outcome of the review	Marjorie Toward	Heather Dickinson / Catherine Haywood
21 April 2022			
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	Marie Rowney
Governance and Ethics Committee annual report	To consider the draft annual report and recommend to full council for consideration	Rob Disney	Rob Disney
Statement of Accounts 2021-22 – Accounting Policies	To consider the annual review of the accounting policies	Nigel Stevenson	Glen Bicknell
Informing the Risk Assessment – 2021/22 Statement of Accounts	To consider the risk assessment	Nigel Stevenson	Glen Bicknell
Annual Governance Statement 2021-22	To consider the draft statement for 2021/22	Rob Disney	Simon Lacey
Follow-up of Internal Audit recommendations – 6 monthly update	To consider an update on progress with implementing agreed actions from Internal Audit reports	Rob Disney	Simon Lacey
9 June 2022			
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	Marie Rowney

Assurance Mapping 2021-22	To review the assurance provided from the map in 2021/22 and consider coverage for 2022/23	Rob Disney	Simon Lacey
Head of Internal Audit Annual Report 2021-22	To consider the Head of Internal Audit's annual opinion of the arrangements for governance, risk management and control	Rob Disney	Rob Disney
External Audit Plan 2021/22	To consider the External Audit Plan for the forthcoming audit	Nigel Stevenson	Glen Bicknell
Update on the Use of the Councillor's Divisional Fund	To consider six monthly update	Marjorie Toward	Keith Ford
21 July 2022			
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	Marie Rowney
Annual Fraud Report 2020-21	To review the incidence of fraud over the year and an update on risks and mitigations	Rob Disney	Simon Lacey
Internal Audit Term 2 2022/23	To consider proposed audit coverage for Term 2	Rob Disney	Simon Lacey
Councillor Code of Conduct Review	To consider the findings of the working group	Marjorie Toward	Heather Dickinson

