

# The Audit Findings for Nottinghamshire County Council and Pension Fund

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Year ended 31 March 2020

25 November 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines – Nottinghamshire County Council and Pension Fund

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') and the Nottinghamshire Pension Fund ('Pension Fund') and the preparation of the Council's and Pension Fund financial statements for the year ended 31 March 2020 for those charged with governance

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<p><b>Covid-19</b></p> <p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council and the Pension Fund .</p> <p>Council – the administration of grants to businesses, closure of schools and car parks with additional challenges of reopening services under new government guidelines.</p> <p>Both finance teams have also had to consider managing staff sickness, access to systems and team capacity.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 20 July 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach for the Council and Pension Fund. Further detail is set out on page 9.</p> <p>Restrictions for non-essential travel have meant both Council, Pension Fund and audit staff have had to work remotely, involving remote accessing of financial systems, video calling and alternative procedures for the physical verification of assets and completeness and accuracy of information produced by the entities.</p> <p>Pension Fund accounts were provided to the team on 8 June 2020</p> <p>Nottinghamshire County Council accounts were provided to the team on 7 July 2020</p> <p>Inevitably the remote working has impacted on delivery and additional time and resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.</p> <p>In particular Covid 19 has increased the work undertaken in relation to pension liabilities, property and investment valuations due to the uncertainty of valuations. There has also been an increase in the time taken to perform the audit as a direct result of remote working. This has increased the time spent on the audit very significantly. We refer to this later in the section on audit fees.</p>
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# Headlines – Nottinghamshire County Council

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and their income and expenditure for the year; and</li> <li>• 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.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-November . Our findings are summarised on pages 9 to 20. We have not identified any adjustments to the financial statements that have required adjustment to the Council's 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.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> <li>• Finalisation of PPE valuation review</li> <li>• Remaining evidence for samples and queries on: Debtors, Creditors</li> <li>• Whole of Government Accounts</li> <li>• Final audit housekeeping steps</li> <li>• Updating our post balance sheet events review, to the date of signing the opinion</li> <li>• Receipt of management representation letter; and</li> <li>• Review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion for the Council will be unqualified including an Emphasis of Matter paragraph, highlighting PPE valuation material uncertainties and Pension valuation material uncertainties. For the avoidance of doubt, an Emphasis of Matter is not a qualification but is an additional paragraph in our opinion which draws the reader's attention to particular disclosures which you have made in the accounts, in this case in relation to valuation uncertainties.</p>
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# Headlines – Nottinghamshire County Council

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire County Council ('the Council') of the Council's financial statements for the year ended 31 March 2020 for those charged with governance

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Nottinghamshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.  We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19,  We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 22 to 24.
<b>Statutory duties</b>	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• To certify the closure of the audit.</li></ul>	We have not exercised any of our additional statutory powers or duties.  We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete the Whole Government Accounts review.

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Headlines – Nottinghamshire Pension Fund

This table summarises the key findings and other matters arising from the statutory audit of Nottinghamshire Pension Fund ('Pension Fund') and the preparation of the Pension Fund financial statements for the year ended 31 March 2020 for those charged with governance

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and</li> <li>• 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.</li> </ul>	<p>Our audit work was completed remotely during July-November . Our findings are summarised on pages 9 to 20. We have not identified any adjustments to the financial statements that have required adjustment to the Pension Fund's reported financial position. 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.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> <li>- outstanding queries on membership, investments, contributions and benefits</li> <li>- receipt of management representation letter</li> <li>- receipt and review of the Annual Report and</li> <li>- review of the final set of financial statements</li> </ul> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting asset valuation material uncertainties.</p>
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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

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

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

## Audit approach

Our audit approach was based on a thorough understanding of the 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

We have had to alter our audit plan, as communicated to you in March 2020, to reflect our response to the Covid-19 pandemic. Our audit plan addendum reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach.

## Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Ethics Committee meeting on 25 November 2020, as detailed in Appendix E. These outstanding items include:

### Council

- Finalisation of PPE valuation review
- Remaining evidence for samples and queries on:
  - Debtors, Creditors
- Whole of Government Accounts
- Final audit housekeeping steps
- Updating our post balance sheet events review, to the date of signing the opinion
- Receipt of management representation letter; and
- Review of the final set of financial statements

### Pension Fund

- outstanding queries on membership, investments, contributions and benefits
- receipt of management representation letter
- receipt and review of the Annual Report and
- review of the final set of financial statements

# 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality levels remain the same as reported in our audit plan. We detail in the table below our assessment of materiality for Nottinghamshire County Council and Nottinghamshire Pension Fund.

Matter	Description	Planned audit response to the Council
1	<p><b>Calculation and determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Council and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– calculate sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• For the Council, we have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit was £16.8m for the Council, which equates to 1.5% of your prior year gross expenditure for the year (cost of services).</li> <li>• For the Pension Fund, we have determined financial statement materiality based on a proportion of the Pension Fund's net assets. Our materiality at the planning stage was £40m which equates to 1% of your actual net assets for the year ended 31 March 2019.</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<ul style="list-style-type: none"> <li>• For the Council, we have determined a lower specific materiality level of £100K for the table of the remuneration of specific senior officers.</li> </ul>
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• Materiality calculations remain the same as reported in our audit plan</li> </ul>
4	<p><b>Matters we will report to the Governance and Ethics Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Ethics Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> <li>• In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £840k.</li> <li>• In the context of the Pension Fund, we proposed at the planning stage that an individual difference could normally be considered to be clearly trivial if it is less than £2.7m</li> <li>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Ethics Committee to assist it in fulfilling its governance responsibilities.</li> </ul>



# Significant audit risks

## Risks identified in our Audit Plan

**Covid- 19** The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions.
- Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement

## Risk Relates To

## Auditor commentary

Council and Pension Fund

Council and Pension Fund

Council and Pension Fund

Council

Pension Fund

Pension Fund

Council and Pension Fund

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported.
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council/groups' property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.
- engaged the use of auditor experts for asset valuations

Our audit work has not identified any significant issues in respect of Covid 19, and the main impact has simply been on the time taken to complete the audit..

# Significant audit risks

## Risks identified in our Audit Plan

## Risk Relates To

## Auditor commentary

### Fraudulent revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Council and Pension Fund

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

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Nottinghamshire County Council and Nottinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Nottinghamshire County Council and Nottinghamshire County Council Pension Fund

### Management over-ride of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority and Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

Council and Pension Fund

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the Council and Fund, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- 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.

### Conclusion

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

Risks identified in our Audit Plan	Risk Relates To	Auditor commentary
<p><b>Valuation of Land and Buildings</b></p> <p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, such as 2019/20, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation 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 (£683 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Council	<p>We:</p> <ul style="list-style-type: none"> <li>• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>• Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure the requirements of the Code were met</li> <li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with out understanding</li> <li>• Engaged our own valuer to assess the instructions to the Council’s valuer, the valuers report and the assumptions that underpin the valuation</li> <li>• Tested revaluations made during the year to see of they had been input correctly into the Councils asset register</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> </ul> <p>Due to the outbreak of Covid-19, market activity is being impacted in many sectors. The Council's valuers have considered that less weight can be attached to previous market evidence to inform their opinions of value. They have therefore reported to the Council on the basis of ‘material valuation uncertainty’.</p> <p>The Council have expanded the relevant wording within the Financial Statements in relation to material uncertainty to give the reader a better understanding of the RICS guidance. We will include this within our Emphasis of Matter to draw this to the attention of the reader.</p> <p><b>Conclusion</b></p> <p>This work is currently ongoing but our work to date has not identified any significant issues.</p>

# Significant audit risks

Risks identified in our Audit Plan	Risk Relates To	Auditor commentary
<p><b>Valuation of the pension fund net liability</b></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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1bn in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Some elements of the valuation may also be affected this year by late changes associated with Brexit, leading to increased audit risk.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Council	<p>The Council uses Barnett Waddingham to provide actuarial valuation to of the Council's assets and liabilities derived from the pension scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements..</p> <p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• 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;</li> <li>• 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;</li> <li>• Agreed the advance payment made to the pension fund for future years to the expected accounting treatment and relevant financial disclosures and</li> <li>• obtained assurances from the auditor of Nottinghamshire County Council 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.</li> </ul>

## Conclusion

This work is ongoing but our work to date has not identified any significant issues.

# Significant audit risks

## Risks identified in our Audit Plan

## Risk Relates To

## Auditor commentary

### Valuation of Level 3 (hard to value) Investment Assets

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.

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 (£839 m) and the sensitivity of this estimate to changes in key assumptions

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

Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2020.

We therefore identified valuation of Level 3 investments, including property investments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Pension Fund

We have:

- gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls;
- reviewed the nature and basis of estimated values and considered what assurance management have had over the year end valuations provided for these types of investments and ensured the requirements of the code were met
- 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 those to the fund managers reports at that date. Reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period
- for a sample of non-property 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. In the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- Tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available reviewed investment manager service auditor reports on design effectiveness of internal controls
- for property investments, reviewed the arrangements under which such investments are valued and the assumptions used.


### Outstanding matters

- Awaiting outstanding confirmations for a small sample of investments.

### Conclusion

Our audit work in this area is ongoing but there are no significant issues based on our work to date.

# Significant findings – key estimates and judgements - Council

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £642m</b>	<p>Other land and buildings comprises of 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 provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their Internal Valuer to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 85% of total assets were revalued during 2019/20.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has expanded disclosures on this issue in Note 4.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £61.8m. Management have considered the year end value of non-valued properties, and have commissioned their in house valuer to provide a desktop review of the movements to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>Our work around this assessment is currently ongoing.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuers to confirm the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's asset register</li> </ul> <p>The Council have expanded the relevant wording within the Financial Statements in relation to material uncertainty to give the reader a better understanding of the RICS guidance. We will include this within our Emphasis of Matter to draw this to the attention of the reader.</p> <p><b>Conclusion</b></p> <p>Work is still ongoing</p>	 <b>GREEN</b>

## Assessment

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

# Significant findings – key estimates and judgements - Council


## Accounting area

## Auditor commentary

**Land and Buildings – Other - £642m** We have used Wilkes Head and Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:



Area of review	Wilkes Head and Eve comment	Audit team follow up	Assessment
Valuation approach and reasoning	The Valuer has made reference to the approaches adopted, the methods applied, and the key inputs used in addition to covering the principle reasons for the conclusions reached within the individual valuation sheets. This is in line with expectations for this element.	N/A	● GREEN
Commentary on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user	The Valuer has included a 'Material Valuation Uncertainty' clause as a result of the current 'Global Pandemic' in relation to Novel Coronavirus (COVID-19). This element has been outlined in line with the legislation to ensure that the client understands that the valuation report has been completed under extraordinary circumstances. The commentary, therefore, is in line with expectations for this element	The inclusion of the 'material valuation uncertainty' is in line with our expectations.	● GREEN
Valuation Frequency	IAS 16 sets out that the valuations of assets should be carried out regularly with the aim of ensuring that the carrying amount does not differ materially from the fair value at the balance sheet date. In this instance we understand that the Valuer has completed valuations for a proportion of the assets within Gf portfolio as at 31 March 2020. The Valuer has also identified that all Investment and Surplus assets have been valued as at the valuation date. Therefore, the Valuer has ensured that the carrying amount does not differ materially from the fair value at the balance sheet date for all assets valued during this financial period. The approach adopted based on a proportion of the GF operational portfolio and all investment and surplus assets is in line with the legislation and appears reasonable in this instance. In addition, that Valuer has referenced within the valuation certificate that they have completed a full review of the portfolio (i.e. those assets not valued during the financial period) to allow an assessment as to whether the carrying amount of these asset values would differ materially from the value of these assets if they were revalued as at the closing book date. We understand that the Valuer has concluded that the valuation changes are not material / significant for either those not valued or those valued. This approach appears reasonable and is in line with processes adopted by other Authorities. The Valuer has not provided details on how this analysis was completed and resulting conclusions reached. It may be following upon this point to ascertain what sources have been utilised in arriving at these conclusions.	Our work includes review and challenge of the assets not valued. – no issues identified.	● GREEN

# Significant findings – key estimates and judgements





Accounting area	Summary of management’s policy	Auditor commentary	Assessment																								
<b>Net pension liability – £1,107m</b>	<p>The Council’s [total] net pension liability at 31 March 2020 is £1,107m (PY £1,058m) comprising the Nottinghamshire County Council Pension Fund Local Government scheme and unfunded defined benefit pension scheme obligations in relation to the Teacher’s Pension Scheme.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The Council’s actuary disclosed a material uncertainty in the valuation of the Council’s pension fund liability at 31 March 2020 as a result of Covid-19 The Council has agreed to amend the accounts to included disclosures on this issue in Note 4..</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £48.8m net actuarial loss during 2019/20.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management’s expert</li> <li>Reviewed and assessed the actuary’s roll forward approach taken,</li> <li>Used an auditors expert (PwC) to assess the actuary and assumptions made by the actuary</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.35%</td> <td>2.35%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.90%</td> <td>1.85 – 1.95%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.9%</td> <td>1% above CPI (1.9%)</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.8</td> <td>22.8-24.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26</td> <td>25.2-26.2</td> <td>●</td> </tr> </tbody> </table> <p>Reviewed</p> <ul style="list-style-type: none"> <li>the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>Reasonableness of the Council’s share of LGPS pension assets.</li> <li>Reasonableness of increase in estimate</li> <li>Adequacy of disclosure of estimate in the financial statements.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.35%	2.35%	●	Pension increase rate	1.90%	1.85 – 1.95%	●	Salary growth	2.9%	1% above CPI (1.9%)	●	Life expectancy – Males currently aged 45 / 65	23.8	22.8-24.7	●	Life expectancy – Females currently aged 45 / 65	26	25.2-26.2	●	 <b>Green</b>
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Life expectancy – Females currently aged 45 / 65	26	25.2-26.2	●																								
<b>Assessment</b>	<ul style="list-style-type: none"> <li>● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated</li> <li>● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic</li> <li>● We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious</li> <li>● We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</li> </ul>																										



# Significant findings – key estimates and judgements – Pension Fund

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Level 3 investments</b>	The Pension Fund has investments in pooled property funds, pooled infrastructure funds and unquoted equity investments that in total are valued on the balance sheet as at 31 March 2020 at £966.4m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The value of the investment has increased by £127.4m, however level 3 investments still only account for 19.8% of the fund.	<p>As outlined in our testing of the valuation of level 3 investments we have;</p> <ul style="list-style-type: none"> <li>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</li> <li>Considered the valuation techniques used against industry practice, and</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements</li> </ul>	
<b>Level 2 Investments</b>	The Pension Fund investments in level 2 are totalled on the balance sheet as at 31 March 2020 at £265.6m. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The value of the investment has increased by £17.2m, level 2 investments include all pooled property investments. Level 2 investments account for 0.05% of the fund..	<p>Similar to our approach for level 3 investments, we have;</p> <ul style="list-style-type: none"> <li>Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,</li> <li>Considered the valuation techniques used against industry practice, and</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements</li> </ul>	

## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process and key assumptions to be reasonable

# Significant findings – going concern – Council

## 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).

## Going concern commentary

### Management's assessment process

Management have responded to the questions we set out on going concern in our “Informing the Audit Risk Assessment” document which confirms:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Councils' ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- The Council monitor cash flow on a quarterly basis, including maintaining an up to date forecast position for at least 12 months from the balance sheet date. Whilst we would expect the cash flow to extend up until at least 12 months from the date of the opinion, we have recognised that the pressures of unknowns going forward place pressure on producing a sensible cash flow. However, forward monitoring is completed monthly to ensure that pressures from the pandemic are recognised within the budgets going forward
- Excluding the impact of the pension liability, the Authority has a strong balance sheet, with cash and cash equivalents of £54.8 million.

### Work performed

We have

- Reperformed and reviewed the underlying assumptions of the Authority's cash flow forecast
- Reviewed other medium term financial planning documents to assess robustness of financial position

## Concluding comments

## Auditor commentary

Management's assessment has considered the applicable guidance relating to public sector bodies which presumes in local government is that the going concern assumption does apply unless there is specific evidence to the contrary. Management's assessment has concluded that no material uncertainty in respect of going concern exists. In addition, based on our own review of the Council, we are aware that the Council has set an "approved budget" for 2020/21 and has a longer term financial plan. The going concern assessment includes a cash flow forecast for 12 months from the balance sheet date. The Council have stated that going forward there are numerous unknowns which would prevent them from forecasting further. Standards require the cashflow to be prepared for 12 months from the opinion date, however supplementary monthly budget reports are forecasting over the next 3 years. The cashflow forecast does not indicate any signs of significant financial difficulty that would cause concern.

The Service Director – Finance, Infrastructure and Improvement takes overall responsibility for monitoring and reporting financial projections and reserve management.

As such we consider that the assessment undertaken by the Authority on going concern is a reasonable and valid one and there are no indications of material uncertainty.

### Auditor commentary

- Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.
- Excluding the impact of the pension liability, the Authority has a strong balance sheet, with cash and cash equivalents of £54.8 million.
- The Council has mainly PWLB debt £403.5 million plus £95 million non-PWLB debt and there is no requirement to borrow further to meet any immediate liabilities falling due.
- The Council set a budget in line with local government requirements for 2020-21.
- Management have reported that at the end of Month 4 there is a forecast net underspend of £184k although this masks some significant variances within individual services, including a forecast underspend of £5.1m in Adults Services and a forecast overspend in Children's and Young People of £1.8m. Reinforcement of budget management and a review of the cost pressures is being undertaken particularly in relation to Covid impacts.

We propose to issue an unmodified opinion for 2019/20

# Significant findings – going concern – Pension Fund

## 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).

## Going concern commentary

### Management’s assessment process

The Chief Financial Officer as s151 officer has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continues to adopt the going concern basis in preparing the financial statements.

Management have confirmed that:

- No decision has been made to wind up the Pension Fund and no events have occurred that would trigger wind up.
- They have taken into account all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue.
- No material uncertainties related to events or conditions that cast significant doubt upon the Pension Fund’s ability to continue as a going concern exist that require disclosure

## Auditor commentary

Chapter 6, Annex 6.5 of the CIPFA Code on the “Presentation of Financial Statements for Pension Funds” notes going concern as a particularly important reporting requirement and that para 3.4.2.23 of the Code applies. The CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states “Local authorities that can only be discontinued under statutory prescription shall prepare their financial statement on a going concern basis of accounting; that is, the financial statement shall be prepared on the assumption that the function of the authority will continue in operational existence for the foreseeable future”.

For defined benefit schemes the Pensions SORP gives further guidance in that even where a defined benefit scheme is significantly underfunded it should continue to be treated as a going concern for accounting purposes unless a decision has been made to wind up the scheme.

The LGPS is a statutory scheme which can only be wound up by government and the presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as an announcement to wind up the administering authority.

Management have carried out an assessment respect of the going concern of the pension fund and have included responses in our Informing Audit Risk Assessment. As a result of our work we have identified;

- The fund is a statutory pension provider and therefore cannot legally close.
- The actuary has set contribution rates for all employers up to 2022/23, this re-affirms that the fund intends to continue as a going concern.
- The fund also do daily monitoring of the cash position for treasury and investment management and this has been estimated going forward to cover the 12 months from the balance sheet date. The level of liquid assets held means the risk of cashflow issues is very low. Cash held at 31 March 2020 £151.7m

In addition;

- our audit did not identify any events or conditions which may cast significant doubt on the going concern assumption,
- As at the 2019 actuarial valuation, the fund was assessed as 93% funded an improvement of 6% from the 2016 valuation.. This corresponds to a deficit of £405m
- The aim is to achieve 100% over a period of 19 years.
- The cashflow forecast shows positive cash balance throughout the period.

As such we consider that the preparation of accounts on a going concern basis is a reasonable and valid one and there are no indications of material uncertainty.

## Other matters for communication

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	Auditor commentary
<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Governance and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Written representations</b>	<ul style="list-style-type: none"> <li>Letters of representation has been requested from the Council and the Pension Fund which are included in the Governance and Ethics Committee papers.</li> </ul>
<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to banks, lenders, the pension fund's custodian and investment bodies. This permission was granted and the requests were sent. All but one of the Council and the majority of the Pension Fund requests were returned with positive confirmation.</li> <li>In relation to the Pension fund's cash holdings, 2 requests were not received so we undertook alternative procedures, including direct verification to bank statements and confirmations to the external counterparty's online investment portals..</li> </ul>
<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the Council's financial statements.</li> <li>A number of disclosure amendments were made to the Council and the Pension Fund accounts details can be seen at Appendix B.</li> </ul>
<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>The vast majority of information and explanations requested from management for the Council and the Pension Fund were provided.</li> <li>There were some complications in obtaining supporting evidence and transactional and membership data, particularly in respect of the Pension fund, which delayed aspects of wider audit testing.</li> </ul>

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the Councils audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p> <p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the December 2020 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>
<b>Specified procedures for Whole of Government Accounts</b>	<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>Due to the delays created by the pandemic the NAO have not yet issued instructions in relation to WGA. Therefore this work is not yet completed .</p>
<b>Certification of the closure of the audit</b>	<p>We are unable to certify the closure of the 2019/20 audit of Nottinghamshire County Council in the audit opinion until work on WGA and the pension fund Annual Report has been completed, as detailed in Appendix D.</p>

# Value for Money

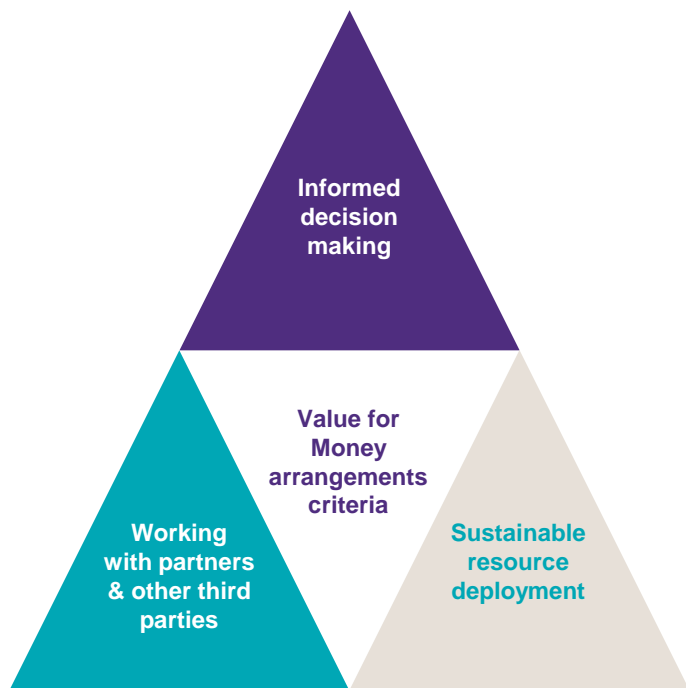
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in March 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risks to you in our Progress Report dated July 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the timing of the pandemic, coming as it did at the very end of the year of audit.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

# Value for Money

## Our work

### Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Sustainable Resource Deployment – planning finances effectively to support delivery of strategic priorities and maintain statutory functions.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 24.

## Overall conclusion

Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Recommendations for improvement

We have discussed findings arising from our work with management and but have not had to make recommendations for improvement.

Since 31 March 2020 as a result of the impact of the pandemic and the acknowledgement that flexible savings plans require implementation to address continuing pressures, the Council has increased monitoring and reporting to ensure the MTFs meets the pressures that Covid has placed on services and has also prepared for a forecast loss of income.

Changes since 31 March 2020 are not taken into account in reaching our conclusion for 2019/20 as that only covers arrangements in place during the financial year, although we do consider whether events since 31 March 2020 tell us anything about the arrangements which were in place prior to that date.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance

# Value for Money

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>Financial Sustainability</b> <b>(wording as per Audit Plan)</b></p> <p>This risk relates to the sub-criteria of Sustainable Resource Deployment.</p> <p>The Council continues to face similar financial pressures to those experienced by others in the Local Government sector. The council's latest financial monitoring report (M09) presented to the Finance and Major Contracts Management Committee indicates a net minor underspend of £35k forecast for the current financial year. However this masks the substantial overspend in Children &amp; young peoples services with a forecast overspend of £9.6m.</p> <p>Furthermore the Council faces significant financial challenges over the medium term to keep its finances in balance. The latest report shows a £28.3m gap for the medium term</p>	<p>The financial year 2019/20 has shown a positive outcome for the Council. As in previous years, budgets have been managed well despite increasing pressures in Children's and Young Peoples services.</p> <p>The financial position of the Council was closely monitored throughout the year, with monthly reports being produced and reported to the Leadership Team and the Finance and Major Contracts Committee.</p> <p>The contribution from reserves reduced from the agreed £5.1m in the original 2019/20 budget to £2.1m.</p> <p>The revised MTFs, which is being monitored monthly to reflect both Non-Covid and Covid pressures proposes to utilise a further £10.8m of reserves over the medium term. However this is a fluid forecast as the pandemic and central funding to support loss of income and service pressures remain unknown.</p> <p>The level of reserves and balances have been reviewed by the Council and are considered to be adequate. However the continued use of reserves to balance budgets which continues into 2020/21 should be approached cautiously and the Council should ensure that the level of reserves remain prudent. Reserves are one off funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.</p> <p>The budget set for 2020/21 originally showed a savings requirement of £19.9m. Clearly, savings plans have been severely impact by Covid-19 and. Instead, the Council now needs to ensure it keeps a strong grip on the impact of Covid and other spending pressures. The Council continues to monitor and gain understanding of both Non-Covid and Covid pressures, reviewing overspends and underspends against budgets and continually applying mitigation strategies, not only for the immediate budget but for the Medium Term to ensure the £51.4 shortfall forecast required by 2023/24 is addressed.</p> <p>Strict budgetary control is in place and departments are expected to utilise any underspends to offset unexpected cost pressures.</p>	<p>The Council applies a stringent monitoring regime to ensure issues can be identified and addressed in a timely manner. The MTFs is monitored and aligned to the vision of the Council and adjustments made when necessary. The Council's strong overall reserves position before Covid-19 is enabling it to cope better than some other authorities with the increased pressures now being faced.</p> <p>On the basis of this evidence we have concluded that the Council had appropriate arrangements in place to secure Value for Money through Sustainable Resource Deployment during 2019/20.</p>



# 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

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

## 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 the Pension Fund. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. These fees have not been reflected in the accounts because of the timing of the Certification of Teachers Pensions return

### Pension Fund

No non-audit services were identified which were charged from the beginning of the financial year to November 2020.

### Council

The following audit-related and non audit-related services were identified.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Teachers Pension Return	4,000	Self-Interest (because this is a recurring fee)	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 £75,624 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 (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

# 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. The following non-audit services were identified/, as well as the threats to our independence and safeguards that have been applied to mitigate these threats

	Fees £	Threats identified	Safeguards
<b>Non-audit related</b>			
CFO Insights Subscription	16,000	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of 75,624 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights</p> <p>The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.</p>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors None of the services provided are subject to contingent fees.

# Action plan

We have identified a number of recommendations for the Council and the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



Assessment	Issue and risk	Recommendations
<p data-bbox="120 425 161 464"></p> <p data-bbox="93 486 188 511">Medium</p> <p data-bbox="250 419 414 444"><b>Pension Fund</b></p>	<ul data-bbox="472 419 1259 806" style="list-style-type: none"> <li>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 31<sup>st</sup> March 2019</li> <li>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</li> <li>We were able to positively confirm investment and cash balances with these investment managers, so there was no impact on the reported financial disclosures</li> </ul>	<ul data-bbox="1295 419 1978 701" style="list-style-type: none"> <li>As reported in 2018/19. In accordance with best practice we recommend and would expect that where controls reports and 'bridging letters' are not available; the Pension Fund makes annual enquiries with its investment managers to ascertain how controls operate and if there are significant controls weaknesses of which it should be aware. Or alternatively request controls reports from investment managers, particularly those not covered by the Pension Fund's Custodian where triangulation of investment balances is not possible</li> </ul> <p data-bbox="1295 715 1556 739"><b>Management response</b></p> <p data-bbox="1295 753 1336 778">[...]</p>
<p data-bbox="120 939 161 978"></p> <p data-bbox="93 1068 188 1092">Medium</p> <p data-bbox="250 933 414 958"><b>Pension Fund</b></p>	<ul data-bbox="472 933 1259 1043" style="list-style-type: none"> <li>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.</li> </ul>	<ul data-bbox="1295 933 1978 1082" style="list-style-type: none"> <li>A reconciliation should be undertaken to gain assurance that membership data is within a reasonable estimate as provided by the actuary.</li> <li>Challenge should be made if numbers are not within a reasonable tolerance.</li> </ul> <p data-bbox="1295 1096 1556 1120"><b>Management response</b></p> <p data-bbox="1295 1135 1336 1159">[...]</p>

## Controls




- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Action plan

We have identified a number of recommendations for the Council and the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



Assessment	Issue and risk	Recommendations
 <b>Medium</b>	<b>Pension Fund</b> <ul style="list-style-type: none"> <li>In some cases working papers provided to support the accounts and allow for sample selection did not agree back the entries within the statements. This delayed and in some cases caused repetition in sample selection.</li> </ul>	<ul style="list-style-type: none"> <li>Working papers should be reviewed and checked back to statement entries as part of the accounts review prior to submission for audit. All working papers should be referenced to the entry in the accounts to ensure the correct information is provided for audit.</li> </ul> <p><b>Management response</b> [...]</p>
 <b>Medium</b>	<b>IT System</b> <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"> <li>SAP Support staff and vendors with DEBUG access</li> <li>SAP developers with access to modify the ledgers</li> <li>Change developer and implementation segregation of duties conflicts</li> <li>Inadequate password security for SAP</li> <li>IT security policies not acknowledged by staff</li> </ul>	<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 majority of suspected accounts with procedures planned to be completed by the end of November.</p> <p><b>Management response</b> [...]</p>

## Controls




-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Action plan

We have identified a number of recommendations for the Council and the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment		Issue and risk	Recommendations
 <b>Medium</b>	<b>Council</b>	<p>Reports provided for Payable and Receivable sample selection were transaction listings not a report showing actuals for the year end.</p> <p>This has led to delays in getting breakdowns from the cost centres reported to select samples at a unit level and also samples selected that have been reversed so not representing debts to the Council or monies owed at year end.</p>	<p>A cleaner list of receivable and payables should be developed to ensure the audit sampling is efficient and effective.</p> <p>This is something we can work on together for 2020/21.</p> <p><b>Management response</b> [...]</p>
 <b>Medium</b>	<b>Council</b>	<p>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.</p>	<p>The control around the authorisation of both initial journals and corrections should be reviewed to ensure correct cost centres have been identified.</p> <p><b>Management response</b> [...]</p>

## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council and Nottinghamshire Pension Fund's 2018/19 financial statements, which resulted in 9 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommended the Pension Fund Systems and Admin team undertake a process to understand and verify the causes of the large volume of manual adjustments and discrepancies in membership data. which necessitate the manual adjustments, specifically, the underlying reasons as to why change forms and notifications were not being processed in a timely manner	The Pension Administration function is undertaking a digital transformation programme which has been approved by Pensions Committee. As part of this programme work is underway to complete a data audit and improvement workstream, rolling out access to a secure Scheme Employers Portal following a successful pilot with Nottinghamshire County Council which enables employers to submit a range of requests and processes. As part of this programme the Administration function will also be rolling out electronic monthly data returns as stipulated by the Pension Regulator.
✓	Amendments to data should be processed in a timely manner to reduce the risk of inaccurate membership data being reported in the financial statements.  Controls to check the accuracy of the data on a regular basis should be implemented to allow early identification of errors, including between the Pensions Admin and Pensions Payroll systems	The Pension Administration function is undertaking a digital transformation programme which has been approved by Pensions Committee. As part of this programme work is underway to complete a data audit and improvement workstream, rolling out access to a secure Scheme Employers Portal following a successful pilot with Nottinghamshire County Council which enables employers to submit a range of requests and processes. As part of this programme the Administration function will also be rolling out electronic monthly data returns as stipulated by the Pension Regulator. Work is in progress to reconcile the pension administration and payroll systems.
✓	In the course of obtaining confirmations of year end cash and investment balances, we noted that account names across investment managers were not consistent. Some of the Pension Fund's accounts were under the name "Nottinghamshire County Council", whereas others were under the name "Nottinghamshire County Council Pension Fund".	In most cases the pension fund uses the name Nottinghamshire County Council Pension Fund when making investments. This distinguishes the Pension Fund investments. However, for legal reasons, e.g. for property, the investment must be held by a named legal entity, in which case the name Nottinghamshire County Council must be used
✓	We recommended the Pension Fund independently verifies deaths of pensioners e.g. through death certificates, confirmation from solicitors or other processes such as the government's 'Tell Us Once' notification system.	Death certificates are requested as part of the processing of the death process within the Pension Administration system. The Pensions Office participates in the Tell Us Once Service and NFI mortality checking service.

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Follow up of prior year recommendations

We identified the following issues in the audit of Nottinghamshire County Council and Nottinghamshire Pension Fund's 2018/19 financial statements, which resulted in 9 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommended that for completeness purposes new member records should be set up in a timely manner on the UPM Pensions Admin system	In these cases, the Pension Administration Office will request a new starter form from the Scheme Employer, on receipt a pension record is created. It is proposed as part of the digital transformation program to move to monthly returns from Scheme Employers
✓	Disclosures in the accounts could be expanded and enhanced to properly comply with the Code.	We have discussed with management and have worked together to ensure all Code requirements are included.
✓	For completeness purposes, schools bank reconciliations should include the April 2019 tranche payments, to ensure bank balances per the ledger are reconciled to bank statements.	No issues have been noted when undertaking testing during 2019/20
X	In accordance with best practice we recommended and would expect that where controls reports and 'bridging letters' are not available; the Pension Fund makes annual enquiries with its investment managers to ascertain how controls operate and if there are significant controls weaknesses of which it should be aware. Or alternatively request controls reports from investment managers, particularly those not covered by the Pension Fund's Custodian where triangulation of investment balances is not possible	The Pension Fund obtain controls reports and bridging letters for all their major investment managers. Over time as more investments are made through LGPS Central this control will be provided by them.  This recommendation is still ongoing
X	We identified that fees and charges within pooled investment funds is netted off against charges in the fair value of the investments,	The fund do not have sufficient information from all of their investments to perform this adjustment. An estimate of the figure is included in note 10. Over time as transparency increases this 'estimate' should become more accurate and the fund should be able to make this adjustment

## Assessment

- ✓ Action completed
- X Not yet addressed

# Audit adjustments - 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 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The adjustment in relation to the creditor journal for a Land Transaction purchase had been incorrectly posted.	0	Reduce Payables 21.1m	0
This has led to an overstatement of both payables and receivables.		Reduce Receivables 21.1m	
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## 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.

Misclassification / Disclosure	Detail	Auditor recommendations	Adjusted?
<b>Disclosure</b>	Note 29. The Fair Value calculation of LOBOs had not been produced in line with the Code, using PWLB redemption rates instead of new loan rates. This resulted in a material overstatement within the disclosure note (but not affecting the primary statements).	The Council have recalculated the Fair Value of LOBO's and have amended the accounts to read £114.7 for the LOBO element, a reduction of £83.7m. The prior year comparators have also been restated.	✓
<b>Disclosure</b>	Note 29. As above the PWLB Fair Value calculation had used the redemption rate and not the new loan rate. This resulted in a material overstatement.	The Council have recalculated the Fair value of PWLB and have amended the accounts to read £439.9m for the PWLB element, a reduction of £185.4m. The prior year comparators have also been restated.	✓



# Audit adjustments – 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

## 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.

Misclassification / Disclosure	Detail	Auditor recommendations	Adjusted?
Disclosure	Note 29 Financial Instruments. Cash and cash equivalents had been omitted from the note and prepayments had incorrectly been included.	The Council have now included Cash and Cash Equivalents £54.9m in the financial Instruments note and removed £4.2m of PFI prepayments.	✓
Disclosure	Note 4 - Estimation Uncertainty	The note has been amended to include the detail in relation to the RICS valuation material uncertainty paragraph in relation to Covid 19. The uncertainty in relation to pension fund valuation has also been included.	✓
Disclosure	Various minor disclosure amendments	The Council have amended and expanded a number of disclosure notes to enhance readability and internal consistency of the accounts.	✓
Disclosure	In some cases, the descriptions and presentations (eg headings) which the Code requires within the financial statements had not been used.	The 'usable revenue reserves balance' should be called the general fund balance as required by the Code. The Council have not amended for these points as they consider this would mislead the reader. These are not considered material to the financial statements.	X

# Audit adjustments – 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 misstatements

There were no audit adjustments to the primary statements for the year ending 31 March 2020.

## Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Disclosure</b>	Various minor Disclosure amendments	The Pension Fund have amended and expanded a number of disclosure notes to enhance readability and internal consistency of the accounts.	✓
<b>Disclosure</b>	Accounts were missing a disclosure on Investments > 5% of the net fund assets.	The Pension Fund have amended the accounts to include a disclosure as per the code requirements. The disclosure shows all investments >5% of the net fund assets.]	✓

## Fees – Council

We confirm below the current situation in relation to fees charged for the audit and provision of non-audit services. As noted earlier in this report, the completion of audit work remotely in the context of Covid-19 has meant that we have had to deploy significantly increased resources in order to complete audits, and it is unfortunately likely that we will need to recover part of the cost of this through additional audit fees, which we recognise we had already increased due to the increased regulatory requirements. We anticipate an additional fee of approximately 15% of the previously agreed fee, but we will discuss this with the s151 officer. This would make the total fee £104,200.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	75,624	75,624
Fee Variation	15,000	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£90,624</b>	<b>£TBC</b>

We have provided a reconciliation to the Fees disclosed in the Financial Statements

	£
• fees per financial statements	87,000
Less	
• Prior year Teachers Pension Claim paid in 2019/20	3,500
• Prior year Fee Variation paid in 19/20	7,500
Total Fees per above	76,000

Proposed fee variations will be confirmed with the s151 Officer and are subject to approval by PSAA Ltd

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Audit Related Services – Teachers Pension Return	4,000	TBC
Non- Audit Related Services CFO insights	16,000	16,000
<b>Total non- audit fees (excluding VAT)</b>	<b>£20,000</b>	<b>£20,000</b>

## Fees – Pension Fund

We confirm below the current situation in relation to fees charged for the audit and provision of non-audit services. As noted earlier in this report, the completion of audit work remotely in the context of Covid-19 has meant that we have had to deploy significantly increased resources in order to complete audits, and it is unfortunately likely that we will need to recover part of the cost of this through additional audit fees, which we recognise we had already increased due to the increased regulatory requirements. We anticipate an additional fee of approximately 15% of the previously agreed fee, but we will discuss this with the s151 officer. This would make the total fee £31,400.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Pension Fund	23,043	27,293
Fee Variation	4,250	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£27,293</b>	<b>£TBC</b>

# Audit opinion- Nottinghamshire County Council

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

We have audited the financial statements of Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2020 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 notes to the financial statements include the Statement of Accounting Policies and Notes to the Statement of Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 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 2019/20; 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. 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.

## The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by Covid-19 and Brexit. All the Service Director Finance, Infrastructure and Improvement and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report subject to unprecedented levels of uncertainty, with the full range of possible We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director Finance, Infrastructure, and Improvement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Service Director Finance, Infrastructure and Improvement, has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Audit opinion

In our evaluation of the Service Director Finance, Infrastructure and 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 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

## Other information

The Service Director Finance, Infrastructure and Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Narrative Report and the Annual Governance Statement other than the financial statements and, 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 of the Authority 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 financial misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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 the '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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

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

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

# Audit opinion

## Responsibilities of the Authority, the Service Director Finance, Infrastructure and 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 21, 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, and Improvement. The Service Director Finance, Infrastructure and 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance, Infrastructure and Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director Finance, Infrastructure and 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](http://www.frc.org.uk/auditorsresponsibilities). This description

forms part of our auditor's report.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### 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.

### 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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

# Audit opinion

We planned our work in accordance with the Code of Audit Practice. Based on our risk

assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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## Use of our report

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

[Signature]

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

Birmingham

[Date]



# Audit opinion - Nottinghamshire County Council Pension Fund

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Nottinghamshire County Council on the pension fund financial statements of Nottinghamshire County Council 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 2020 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 2019/20.

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 2020 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 2019/20; 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. 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Service Director Finance, Infrastructure, and Improvement and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director Finance, Infrastructure, and Improvement's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Service Director Finance, Infrastructure and Improvement has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

# Audit opinion

In our evaluation of the Service Director Finance, Infrastructure and 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 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

## Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 15b of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in note 15b to the financial statements, Market activity is being impacted in many sectors. The property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

Our opinion is not modified in respect of this matter.

## Other information

The Service Director Finance, Infrastructure and Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, 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's 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 this 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 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 Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's 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.

# Audit opinion

## Responsibilities of the Authority, the Service Director Finance, Infrastructure and 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 21, 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 and Improvement. The Service Director Finance, Infrastructure and 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance, Infrastructure and Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Service Director Finance, Infrastructure and 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. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

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

[Signature]

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

Birmingham

[Date]



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