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Wednesday, 24 November 2021

Dear Member

Please find attached report to follow from the Audit & Accounts Committee agenda dated 1 December 2021, agenda item 6 - entitled 'External Auditors' Annual Audit Completion Report'.

Yours faithfully

Karen Langford
Democratic Services Officer

AUDIT & ACCOUNTS COMMITTEE

1 DECEMBER 2021

EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT

1.0 Purpose of Report

- 1.1 To present the External Auditors Annual Audit Completion Report, this is attached at Appendix 1.

2.0 Background Information

- 2.1 The external auditor issues an Annual Audit Completion Report (ACR) in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor's proposed opinion on the Statement of Accounts.
- 2.2 While the accounts have been substantially audited, final confirmation of an unqualified opinion cannot be concluded until all audited areas are finalised. The remaining elements of audit work are to support the valuation of the Council's PPE, testing the inputs and judgements made by the Council's valuation expert.

3.0 Statement of Accounts

- 3.1 The Council's Statement of Accounts for 2020/21 were considered at this Committee on the 29th September 2021.
- 3.2 Since that date, further audit work has been undertaken based on the outstanding work identified within the ACR presented to the Committee on that date. Further to this an additional section to the accounts has been added into *Note 4 – Assumptions made about the future and other major sources of estimation uncertainty*. The additional text refers to the Covid-19 pandemic and the impact of this on the valuation placed on retail and specific trading assets such as car parks. The valuations that were undertaken during the year that are in scope of the above definition represent £3.5m of the Council's overall £387.2m total of PPE. These assets are therefore reported as being subject to material valuation uncertainty. The impact of this, is that less certainty can be placed upon the valuation of these assets than would normally be the case. The additional text that has been included is:

“The Covid-19 pandemic has impacted on global financial markets and market activity is being impacted in many sectors. Whilst property markets are mostly functioning again, retail and specific trading related assets/sectors such as Car Parks continue to be faced with an unprecedented set of circumstances caused by Covid-19.

Our valuer informs us in their valuation report that there is an absence of relevant/sufficient market evidence for the external valuers to base their judgement and that these are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and CPGA 10 for the RICS Valuation – Global Standards. The year-end valuations for these assets, which represent £3.5m of the Council's £387.2m total Plant, Property and Equipment balance, therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case”.

- 3.3 Further to this, the ACR makes reference to this and in relation to the audit opinion which is anticipated to include an Emphasis of Matter paragraph. The wording for this is included within Appendix B of the ACR. A similar paragraph was included within the audit opinion for the 2019/20 statement of accounts.
- 3.4 The report confirms that the external auditor anticipates issuing an unqualified opinion, without modification, of the 2020/21 Statement of Accounts.
- 3.5 The reports tabled at the committee on the 29th September 2021 approved the Annual Governance Statement and the Statement of Accounts and gave delegated authority to the S151 Officer and the Chairman to sign a revised set of accounts if required, and as such, no further recommendations are necessary from this report.
- 3.6 Once all the audited areas are finalised a supplementary letter and report will be presented to the next committee detailing any further amendments.

4.0 RECOMMENDATIONS that:-

- (a) **the Committee receives the updated External Auditors Annual Audit Completion Report for 2020/21;**
- (b) **the Committee notes the adjustments to the financial statements set out in the Audit Completion Report.**

Background Papers

Nil

For further information please contact Nick Wilson, Business Manager - Financial Services on extension 5317.

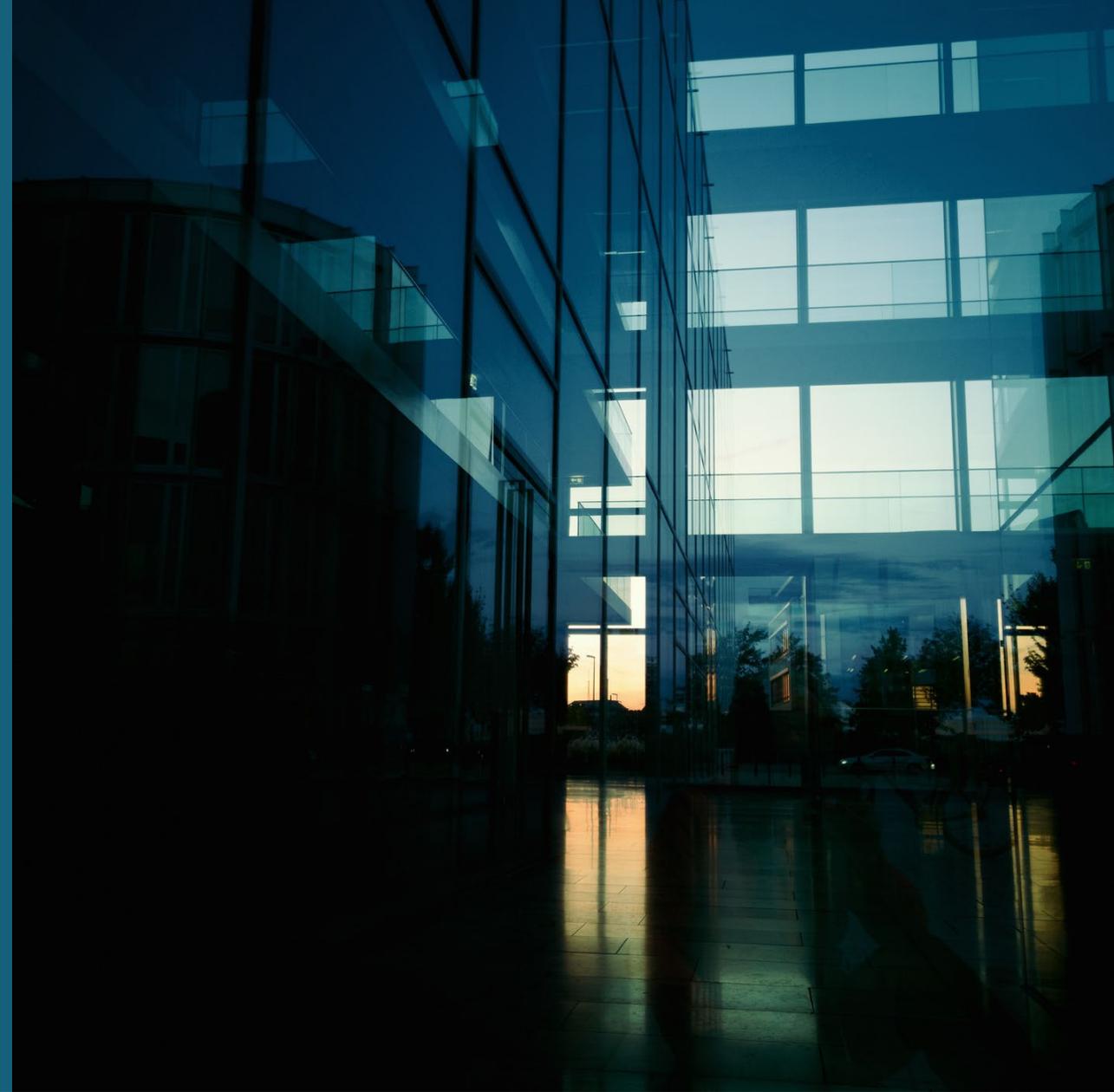
Nick Wilson
Business Manager - Financial Services

Audit Completion Report

Newark and Sherwood District Council -
Year ended 31 March 2021

November 2021

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Newark & Sherwood District Council are prepared for the sole use of the Newark & Sherwood District Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit and Accounts Committee Members
Newark and Sherwood District Council
Castle House
Great North Road
Newark
Nottinghamshire
NG24 1BY

23 November 2021

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented earlier in the year. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4779 or at david.hoose@mazars.co.uk.

Yours faithfully

David Hoose

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of net pension liability;
- Valuation of property, plant and equipment and assets held for sale;
- Valuation and recognition of Covid grants throughout 2020/21.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements and unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021. At the time of preparing this report there are few areas where work is still in progress and these are summarised at Section 2. We will provide an update to you in relation to any significant matters identified at Section 2 as outstanding through our normal follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion on the financial statements with an Emphasis of Matter paragraph. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

Our Value for Money work remains in progress and the results of this will be reported within our Auditor's Annual Report later in the year. At this stage we have not identified any significant weaknesses in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council's and to consider any objection made to the accounts.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

| Audit area | Status | Description of the outstanding matters |
|---|---|--|
| Property, plant and equipment |  | We are finalising the remaining elements of our work in support of the Council's valuation inputs and judgements made by the Council's valuation expert which may require additional information or explanations from management. |
| Whole of Government Accounts (WGA) |  | NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 16. |
| Audit Quality Control and Completion Procedures |  | Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion, agreeing the final changes to the financial statements and obtaining final management representations. |

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.

We will provide the Audit and Accounts Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

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Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £2.3m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £2.1m using the same benchmark.

Use of experts

In our Audit Strategy Memorandum we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or matters arising to report.

| Item of account | Management's expert | Our expert |
|---|---|---|
| Pensions liability | Barnett Waddingham LLP <i>Actuary for Nottinghamshire Pension Fund</i> | PwC LLP <i>Consulting actuary appointed by the NAO</i> |
| Property, plant and equipment valuation | Wilks, Head and Eve LLP <i>The Council's external valuer</i> | Not applicable |
| Business rate appeals provisions | InformCPI <i>External rating specialist</i> | Not applicable |
| Financial instrument disclosures | Link Asset Service <i>Treasury management advisors</i> | Not applicable |

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Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. In our Audit strategy Memorandum we reported the below service organisations and our planned audit approach. This is still the case and there are no changes to the planned approach or matters arising to report.

| Items of account | Service organisation | Audit approach |
|--------------------|--|---|
| Pensions liability | Nottinghamshire Pension Fund <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is coordinated by and uses information held and processed by the service organization.</i> | We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation. |



3. Audit approach

Group audit approach

The Council's group structure for 2020/21 includes the subsidiaries and associated entities noted below. In the prior year, the Council changed its group boundaries, with the merger of a former wholly owned subsidiary and the establishment of two new entities. The group consists of itself, two wholly owned subsidiary companies and a 50% stake in a single purpose joint venture company and will require to be considered for group accounting and reporting requirements. The Council has consolidated three entities into its Group financial statements, Active4Today Limited, Arkwood Developments Limited (both 100% owned) and RHH Newark Limited (50% owned). In auditing these accounts we needed to obtain assurances over the transactions and balances within the Group relating to the subsidiaries.

Our approach has reflected the size and complexity of the transactions and balances within the subsidiary companies that are consolidated into the Council's Group financial statements. Based on our planning discussions and review of the year's accounts, we did not consider any of the subsidiaries to be significant components. Our plan, based on our understanding and the values reported in the prior year's financial statements was to again obtain assurance from analytical procedures supported by a review of the Council's consolidation processes. We did not need to seek specific assurances over transactions and balances from the component auditors of the subsidiary companies.

We did not identify any significant audit risks for Group accounts purposes in relation to these components.

| Group component | Approach adopted | Key points or other matters to report |
|---|------------------|--|
| Newark and Sherwood District Council (parent) | ● | The Mazars audit team undertook the full audit of the Council's accounts |
| Active4Today Limited | ● | 100% control (voting rights) |
| Arkwood Developments Limited | ● | 100% owned (share capital) |
| RHH Newark Limited | ● | 50% owned (share capital), 50% control (voting rights) |
| Mansfield Crematorium | ● | Joint arrangement with Mansfield District Council and Ashfield District Council (33% control – appoints 2 of the 6 trustees) |
| Southwell Leisure Centre Trust | ● | Unregistered company without share capital registered as a charity (67% control – appoints 6 of the 9 trustees) |

- Full audit**
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- Audit of balances and/or disclosures**
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- Specific audit procedures**
 Performance of specific audit procedures on the component's financial information
- Review procedures**
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



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04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risks

| Management | Description of the risk |
|-----------------------------|--|
| override of controls | In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. |
| | How we addressed this risk |
| | We addressed this risk through performing audit work over accounting estimates impacting amounts included in the financial statements, testing of journal entries, considering the existence of any significant transactions outside the normal course of business or otherwise unusual. |
| | Audit conclusion |
| | Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls. |

4. Significant findings

| Net defined benefit pension liability valuation | Description of the risk |
|---|---|
| | <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there was a significant risk in this area.</p> |
| | <p>How we addressed this risk</p> <p>To address this risk we have:</p> <ul style="list-style-type: none"> Critically assessed the competency, objectivity and independence of the Nottinghamshire County Council Pension Fund's Actuary, Barnett Waddingham LLP; Liaised with the auditors of the Nottinghamshire County Council Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation was complete and accurate; Tested payroll transactions at the Council to provide assurance over the pension contributions which were deducted and paid to the Pension Fund by the Council; Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements |
| | <p>Audit conclusion</p> <p>Our audit procedures identified two immaterial errors in the financial statements, arising from matters reported by the external auditors of the Nottinghamshire Pension Fund in respect of revised pension asset values and investment returns. The impact of these errors, which management have not corrected is reported on page 23.</p> <p>There are no other matters that we wish to bring to Members' attention in relation to the valuation of the Council's net defined pension liability.</p> |

| Valuation of property, plant, equipment (land & buildings) | Description of the risk |
|--|--|
| | <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, and investment properties with the majority of land and building and investment property assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.</p> |
| | <p>How we addressed this risk</p> <p>To address this risk we have:</p> <ul style="list-style-type: none"> Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; Considered whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; Critically assessed the approach that the Council adopts to ensure that any assets not subject to revaluation in 2020/21 were materially correct; and Considered movement in market indices between revaluation dates and the year end in order to determine whether these indicated that fair values have moved materially over that time. |
| | <p>Audit conclusion</p> <p>As set out in section 2, we are finalising our sample testing of valuations and completing our testing in relation to the significant audit risk identified. We will update the Audit and Accounts Committee with the results of our work in this area once concluded.</p> <p>As in the previous year the Council's valuer has reported their valuations on the basis of a 'material uncertainty' existing at the balance sheet date. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report and are currently consulting on the form of wording for this. Our draft Auditor's Report at Appendix B includes the 'emphasis of matter' paragraph we expect to include.</p> <p>The procedures we have undertaken to date has identified a single factual error and a single projected error in the financial statements, both of which are immaterial. The impact of these errors, which management have not corrected is reported on page 23.</p> <p>There are no other matters that we wish to bring to Members' attention in relation to the valuation of the Council's property, plant and equipment.</p> |

| | | | | | | | |
|-------------------|-----------------|----------------|----------------------|----------------------------------|--------------------------|-----------------|------------|
| Executive summary | Status of audit | Audit approach | Significant findings | Internal control recommendations | Summary of misstatements | Value for Money | Appendices |
|-------------------|-----------------|----------------|----------------------|----------------------------------|--------------------------|-----------------|------------|

4. Significant findings

| | |
|-----------------------------------|--|
| Covid-19 grant recognition | Description of the risk Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. A lack of clarity exists in respect of the expected accounting treatment over this income source. We therefore identified the completeness and accuracy of the this income as a risk. |
| | How we addressed this risk To address this risk we have: <ul style="list-style-type: none">• Reviewed the Council’s approach in determining whether grants are or are not ringfenced for specified areas of expenditure;• Tested grant income recorded in the ledger to grant allocations/notifications; and• Reviewed a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met. |
| | Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members’ attention in relation to Council’s recognition of Covid-19 grants. |



4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council in June 2021 and were of a good quality.

Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of Covid-19 on the Council’s business, including any potential impact on risks of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. There are no matters that we need to highlight in this report.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit.

We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate, which remains broadly in line with those indicated within our Audit Strategy Memorandum, is set out below:

- Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - £7,067.
- Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements – £2,892.
- Additional work as a result of the material valuation uncertainty declared by the Council’s valuer – £876.
- Additional work in respect of Covid-19 grant income recognition – £1,188.
- Additional work in respect of the Council’s requirement to produce Group Accounts – £3,000.
- Additional work as a result of the new Code of Audit Practice and VFM reporting – ongoing with our estimate being at least £8,019 depending on the extent of any risks of significant weaknesses requiring additional work.

We will agree the final fee, and any further variations, with management prior to reporting to the Audit and Accounts Committee.



4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Modifications required to our audit report

Our draft audit report has not been modified and is set out in Appendix B. However, it should be noted that an Emphasis of Matter paragraph has been included in the auditor's opinion due to the material valuation uncertainty raised by the valuer for specific capital assets.

Possible delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but delay the issue of the Audit Certificate until the following procedures are complete:

- Value for Money - We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Auditor's Annual Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the Council's arrangements that require us to make a recommendation.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions for local authority audits.

We will update the Audit and Accounts Committee when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking | Description | Number of issues |
|-------------------|--|------------------|
| 1 (high) | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 1 |
| 2 (medium) | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future. | 1 |
| 3 (low) | In our view, internal control should be strengthened in these additional areas when practicable. | 1 |



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Per review of internal audit reports for COVID 19 business grants it was noted that two grants of £10,000 each had been paid in error and a further two of £10,000 each had been claimed fraudulently. Recovery action has been taken with two of the four having been repaid, one is in the process of being recovered through the sundry debtors whilst the other relates to a claimant who the council cannot currently trace his whereabouts to enable instigation of a recovery action.

Potential effects

Grants paid to fraudulent claimants may not be recovered.

Recommendation

Recovery action continues against the claimants who received grants fraudulently

Management response

Every effort will be made to retrieve the funds paid in error. We will continue to trace the individual who cannot currently be located. Updates will be brought to SLT through the quarterly debtors report when appropriate. Please note, this issue has already been highlighted by internal audit and communicated to audit committee. As a result, action on this deficiency has taken place.

Other deficiencies in internal control – Level 2

Description of deficiency

No declaration of interest forms have been received from most of the members of the council. The lack of declarations from members are due to members working from home and not in the office.

Potential effects

Transactions within the council may be related party transactions, which may lead to incorrect disclosure.

Recommendation

Ensure all declaration forms are received.

Management response

Management have continued to chase Council members for their declaration submission. For those who continue to not respond, management performed additional checks including officer checks as recorded in Companies House and assessing any interest declared prior year and for changes this year. Going forward, management shall send submission requests earlier with regular chase up (which should involve face to face contact as working from home is becomes less of a thing).

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Three remittances for the housing benefit subsidy were unable to be located.

Potential effects

Allocation of the subsidy on the nominal ledger may be incorrect and lack of audit trail.

Recommendation

Ensure all remittances are retained and filed for future.

Management response

Management have confirmed all remittances are to be retained and filed for future reference.

Follow up on previous internal control points

Description of deficiency

N/A – no significant control deficiencies identified in the prior year.

Potential effects

N/A

Recommendation

N/A

2020/21 update

N/A

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06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £68,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

| | Comprehensive Income and Expenditure Statement | | Balance Sheet & reserves | |
|--|--|----------------|--------------------------|------------------|
| | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 Dr: Prepayments Cr: Other service expenses | | 136,700 | 136,700 | |
| In relation to an invoice from Arthur J. Gallagher Insurance Brokers Limited, 10 out of 12 months of the insurance invoice relates to 01/02/2021 - 31/01/2022 and not included in prepayment listing. The client has not included this in the prepayment schedule because when they previously received this insurance a few years ago they did not include 10 months of the balance as prepayment as an error. So every year since then they only wanted to recognise 12 months of the cost in one year so did not include 10 months in prepayments. The above journal corrects the overstatement for 2021/22 only. | | | | |
| 2 Dr: Revaluation reserve Cr: Property, plant and equipment | | | 362,409 | 362,409 |
| Our testing of property, plant and equipment identified a number of differences between the data used by the valuer, specifically in relation to floor areas and passing rents, and the evidence available to support these. Additionally, we identified that the Council had recorded an asset twice within the fixed asset register. The net impact of these errors is an overstatement of the Council's property, plant and equipment. | | | | |
| 3 Dr: Revaluation reserve Cr: Property, plant and equipment | | | 167,633 | 167,633 |
| We are required to project the impact of the errors identified at 2) above across the Council's wider asset base to identify the possible error in those assets that have not specifically been tested. | | | | |
| 4 Dr: Pension liability Cr: Pension reserve | | | 400,000 | 400,000 |
| We have noticed the net investment assets data communicated from the pension fund administrators to the actuaries differs to the net investment assets in pension fund accounts. The data submitted to the actuaries was used to prepare the IAS19 pension report, which then drove the pension disclosure note in the accounts. The pension fund accounts show the actual net investment assets. This has resulted in an understatement in the pension reserve. | | | | |
| 5 Dr: Pension liability Cr: Pension reserve | | | 254,000 | 254,000 |
| We have noticed that the pension fund auditors explained that the actuary used a projected rate of return of 21.57%, whereas the actual return achieved was 21.80%. This gives a 0.23% movement. The impact of this on the Council's pension reserve is estimated to be an understatement of asset values of £254k based on its average assets and is not material. | | | | |
| Total unadjusted misstatements | 0 | 136,700 | 1,320,742 | 1,184,042 |

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6. Summary of misstatements

Adjusted misstatements

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|--|--|--|------------|------------------|------------------|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Creditors Cr: Debtors | | | 1,060,643 | 1,060,643 |
| This adjustment relates to a correction of an error that has led to an overstatement due to a double inputting of the accruals for debtors and creditors. This has been reviewed and confirmed as being in relation to an isolated event that shows no signs of a systematic issue with any account balance. Client has double entries both sides of the creditors and debtors in relation to HRA. | | | | | |
| 2 | Dr: Revaluation reserve Dr: Property, plant and equipment | | | 781,777 | 781,777 |
| This relates to the valuation of an asset for which a demolition notice had been served. The value of the asset was based upon the land only, rather than the land and buildings. The adjustment was charged to the Revaluation Reserve and did not affect the outturn position | | | | | |
| Total adjusted misstatements | | | | 1,842,420 | 1,842,420 |

Disclosure amendments

COVID Grants amendment 1:

The Council has not included this in the key management judgements in the financial statements. This is not a requirement per CIPFA. However, is a recommendation for clarity purposes as grants which are not included in the accounts but referenced in the narrative report could look odd to external readers. This has been added to the misstatements as a discussion point for management.

COVID Grants amendment 2:

The back and trace grant disclosure needs amending to show the split as follows: Mandatory: £137k, Discretionary: £45k.



07

Section 07: **Value for Money**

07. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

We are still undertaking our work in this area although at this stage we have not identified any significant weaknesses in arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in February 2022.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report expected to be in February 2022.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
Park View House, 58 The Ropewalk
Nottingham
NG1 5DW

December 2021

Dear Sirs

Newark and Sherwood District Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

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Appendix A: Draft management representation letter

I confirm as S151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Group Accounts

I confirm that I have reviewed the accounting transactions of the Council's subsidiaries and am satisfied with the content included in the Council's group accounts to be true and fair

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Appendix A: Draft management representation letter

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

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Appendix A: Draft management representation letter

- All knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council’s and Group’s related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council’s Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council’s assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

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Appendix A: Draft management representation letter

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements, as attached as an appendix to this letter, are immaterial, both individually and in aggregate, to the financial statements as a whole.

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Appendix A: Draft management representation letter

Yours faithfully

Sanjiv Kohli
Deputy Chief Executive and
Director of Resources

Councillor Sylvia Michael
Chair – Audit and Accounts Committee

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Appendix B: Draft audit report

Independent auditor's report to the members of Newark and Sherwood District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Newark and Sherwood District Council ("the Council") and its subsidiary ("the Group") for the year ended 31 March 2021, which comprise the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Movement in Reserves Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Council's Collection Fund, the Council's Housing Revenue Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 section of our report. We are independent of the Council 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuations of land and buildings

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings. As disclosed in note 4 of the financial statements, the Council's valuation included a specific 'material valuation uncertainty' declaration in their report in respect of the Council's retail and specific trading related and car park assets in this group of assets. The Council states at note 4 that consequently less certainty and a higher degree of caution should be attached to these assets than what would normally be the case. Our opinion is not modified in respect of this matter.

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Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of Deputy Chief Executive and Director of Resources' with respect to going concern are described in the relevant sections of this report.

Other information

The Deputy Chief Executive and Director of Resources' is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Deputy Chief Executive and Director of Resources' for the financial statements

As explained more fully in the Statement of the Deputy Chief Executive and Director of Resources' Responsibilities, the Deputy Chief Executive and Director of Resources' is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Deputy Chief Executive and Director of Resources' is also responsible for such internal control as the Deputy Chief Executive and Director of Resources' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Deputy Chief Executive and Director of Resources' is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive and Director of Resources' is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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Appendix B: Draft audit report

Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Audit and Accountability Act 2014 (and associated regulations made under section 32) and the Local Government Finance Act 1988 (as amended) and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Deputy Chief Executive and Director of Resources’ incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Accounts Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Accounts Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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Appendix B: Draft audit report

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Corporate Governance Scrutiny Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive and Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Newark and Sherwood District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

David Hoose, Key Audit Partner
For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 6DW

xx December 2021

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Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Appendix D: Other communications

| Other communication | Response |
|---|---|
| Compliance with Laws and Regulations | <p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p> |
| External confirmations | <p>We did not experience any issues with respect to obtaining external confirmations.</p> |
| Related parties | <p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework. |
| Going Concern | <p>We have not identified any evidence to cause us to disagree with the Sanjiv Kohli that Newark and Sherwood District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p> |

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Appendix D: Other communications

| Other communication | Response |
|--------------------------|--|
| Subsequent events | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p> |
| Matters related to fraud | <p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Accounts Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others. |

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David Hoose, Partner

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NG1 5DW

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.