

Auditor's Annual Report

Newark and Sherwood District Council –
year ended 31 March 2022

January 2023



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Newark and Sherwood District Council (‘the Council’) for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 5 January 2023. Our opinion on the financial statements was unqualified.



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.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements.



Wider reporting responsibilities

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 and to consider any objection made to the accounts. No such correspondence from electors has been received.



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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 05 January 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Level of audit adjustments prior to completion

We report any errors or misstatements above a trivial threshold (£64k) identified from our work to the Audit and Governance Committee in our Audit Completion Reports.

For 2021/22, we reported the following

Adjusted misstatement

The majority of the misstatements found during the audit were corrected by management and these were mainly around capital assets.

Unadjusted misstatements

There were three misstatements that management opted not to adjust which included a misstatement on pension liabilities at £875k. The overall balance of misstatements was below materiality and therefore did not negatively affect the fair presentation of the financial statements.

Management co-operation during the audit

We had positive co-operation from management during the audit and in particular want to thank the Deputy Chief Executive / Director of resources Business, Manager – Financial Services and Assistant Business Manager - Financial Services for their support throughout.

Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we 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.

Our detailed findings and recommendations were included in the Audit Completion Report to the Council's Audit and Governance Committee, confirming there were no 'high' priority recommendations with potential for financial loss, damage to reputation or loss of information that may have implications for the achievement of business strategic objectives for immediate implementation.

2. Audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	Significant risk: an area that, in our judgment, requires special audit consideration.	We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.	There are no significant matters to report in respect of management override of controls.
Valuation of land & buildings and investment properties and council dwellings The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty covering: <ul style="list-style-type: none"> Council dwellings (£323.6m – Note 22) Other Land & Buildings (£86.8- Note 22) 	Significant risk	Our procedures to address this risk included, but was not limited to: <ul style="list-style-type: none"> considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied; and to address the prior period errors we have reviewed the work performed by the values through inspecting supporting evidence and for further assurances we have tested the final values against relevant indices. 	There are no significant matters to report in respect of valuation of land, building and dwelling assets.
Valuation of the net pension liability The defined benefit liability relating to the Local Government pension scheme represents significant balances on the Council's balance sheet. The Council relies on 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 have determined there is a significant risk of misstatement in this area.	Significant risk	Our procedures to address this risk included, but was not limited to: <ul style="list-style-type: none"> liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. 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 is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office 	There are no significant matters to report in respect of net pension liability.

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Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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 there are

further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.




- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	2020/21 Actual significant weaknesses identified?	2021/22 Commentary page reference	2021/22 Identified risks of significant weakness?	2021/22 Actual significant weaknesses identified?	2021/22 Other recommendations made?
 Financial sustainability	No	13	No	No matters arising in 2021/22.	No
 Governance	No	16	Yes – Page 17 and 19	No matters arising in 2021/22.	No
 Improving economy, efficiency and effectiveness	No	19	No	No matters arising in 2021/22.	No

Introduction

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3. VFM arrangements – Overall summary

Context of the Auditor’s Annual Report

Our Auditor’s Annual Report summarises the work we have undertaken as the auditor for Newark and Sherwood District Council for the year ended **31 March 2022**, where at the time of reporting in January 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen to 4% in February 2023 meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain a watching brief over the key issues facing Newark and Sherwood District Council and, should we identify a risk of significant weakness in arrangements, will follow the process as described in section 3 to promptly raise these with management and issue any reports to the Audit and Governance Committee as part of our audit for the year ending 31 March 2023.

3. VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

The Council’s financial planning and monitoring arrangements

On the 9th of March 2021 the council held a meeting where a balanced budget was presented. The council had a planned saving of £459k for 2021/22. The Medium Term Financial Plan had financial projections for periods 2021/22 to 2024/25 where a budgeted shortfall was projected for the latter years of which the MTFP reserve would be used to for additional funding. The Council had intended to spend £59.639m in general fund capital expenditure from 2021/22 to 2024/25 of which £32.326m was committed for 2021/22.

We reviewed Revenue And Capital Outturn Positions for 2021/22. The report sets out the Council’s year end outturn position for the revenue and capital budgets for the 2021/22 financial year, and the impact on both the General Fund and Housing Revenue Account (HRA) level of general Balances. The Council’s General Fund Outturn saw a £2.044m surplus against budget, which was transferred to Earmarked Reserves to mitigate

against expected future budget pressures. The Council also saw a surplus of £1.154m for the Housing Revenue Account in 2021/22.

The council continues to maintain balances of £1.5m and £2m in the General Fund and Housing Revenue Account, respectively.

Financial Statement performance 2021/22

We have carried out an analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. The Council’s balance sheet position does not highlight any concerns. The Council’s usable reserves have increased by £7.738m from £69.311m to £77.049m in 2021/22:

- General Fund & Earmarked Reserves of £36.343m, down from £37.339m in the prior year
- HRA Reserve of £24.744m, up from £19.150m in 2020/21
- Capital Reserves of £15.962m, up from £12.822m in 2020/21.

The Council’s reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Arrangements for the identification, management and monitoring of funding gaps and savings

The council has the Medium Term Financial Plan from 2021/22 to 2024/25 which sets out the resources available to deliver the Council's overall commitment to provide services that meet the needs of people locally and that represent good value for money. The MTFP is reviewed on an annual basis where the council updates any budgeted values based on the change in circumstances and environment. The budget setting process includes consideration of assumptions which relate to budget sources or pressures for both revenue and capital spending.

Once the MTFP has been compiled it undergoes the approval process where the full council would review the assumptions and principles on which the budget is based. As part of the budget process, the Council explicitly identifies its savings gap for the following year. Once the gap has been identified, a savings programme is determined. Reports are provided to members through Cabinet to provide information and consult on the detailed savings proposals to meet the budget gap.

The savings gap identified in the MTFP, as approved in the meeting held on the March 2021 for 2022/23, 2023/24 and 2024/24 were £1.681m, £2.327m and £2.719m respectively. The Council has plans in place of how the shortfall will be covered leaving a shortfall of £1.075m in 2024/25 which will be reviewed and efficiencies were still to be identified. The Council has a strong track record of delivery against savings programmes to bridge budget gaps in recent years.

The Council's arrangements and approach to financial planning 2022/23

The arrangements for the 2022/23 budget setting process have largely followed the arrangements in place for 2021/22. The budget for 2022/23 was approved at the 8th March 2022 Council meeting.

We reviewed the Medium Term Financial Plan (MTFP) set from 2022/23 to 2025/26. For 2022/23 the council had shortfall of £0.657m where funds from the reserve will be used to meet the council's expenditure. Some of the cost assumption used in the budgeting process, the council planned a 2% annual increase in basic pay has been assumed for 2022/23, and a 3% increase for each subsequent year of the council's MTFP.

The Capital Programme for 2022/23 to 2025/26 proposed an investment of £129.615m over the 4 year programme. Housing Services £54.326m (made up of Property Investment and the New Build Programme) and General Fund £75.289m (made up of various general fund projects).

We have reviewed budget papers and confirmed that the budget assumptions are sensible, realistic and properly applied.

Overall commentary on the Financial Sustainability reporting criteria

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we identified as part of our continuous planning procedures.

	Risk of significant weakness in arrangements	Planned procedures	Results of our work
1	<p>Governance & decision making: London Road Municipal Buildings</p> <p>Internal Audit conducted a review of the decision-making process surrounding the sale of the London Road Municipal Buildings (2013 – 2019) and London Road Car Park Extensions (2017 – 2021). This report was presented to the July 2022 meeting of the Audit & Governance Committee. In addition, we received correspondence from a local elector in December 2022 that we have taken into account as part of our audit obligations.</p> <p>We believe due to the above triggers the need to perform additional work to evaluate under the theme of Governance, which is defined under the Code of Practice as “how the body ensures that it makes informed decisions and properly manages its risks, including:</p> <ul style="list-style-type: none">• how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency• how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour”	<p>Our work included, but was not be limited to:</p> <ul style="list-style-type: none">• Review internal correspondence and legal advice that we determine relevant to the VFM arrangements• Meet with Officers and Internal Audit• Review supporting committee reports, including findings of Internal Audit.	<p>Based on the work performed, we have not identified any actual significant weaknesses in arrangements in relation to 2021/22.</p> <p>Areas of improvement have been identified, but are covered by existing recommendations raised by Internal Audit through their report in July 2022.</p>

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Authority’s governance structure

Based on our work, we are satisfied that the Council has an established governance framework which is consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. The Constitution is subject to periodic reviews. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management and internal control

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Risk Management Strategy which includes the Council’s approach, guidance, the Council’s risk appetite and roles and responsibilities. There is a Strategic Leadership Team (SLT) in place, chaired by Chief Executive , which includes directors and the assistant director. The group oversees all the Council’s operational and strategic risk registers and provides challenge as part of the process. The Council’s safety and risk officers provides regular reports to the Audit and governance committee to provide assurance on the risk management arrangements in place and confirm that they are regularly reviewed and are working effectively. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council’s purposes.

As mentioned above, there is a specific team within the Council that manages and monitors risk. The team categorises risk into three: strategic risk, operational risk and fraud risk. The Strategic risk register is reviewed and updated with agreement of the SLT. The strategic risk register provides the Council’s SLT with oversight of the key risks faced by the organisation. The strategic risks are reviewed twice a year by the SLT, with each

strategic risk identified being assigned a ‘risk owner’ in order for there to be accountability. The ‘risk owners’ would then review their allocated strategic risks at quarterly intervals. Additionally, the strategic risks are also communicated to the Audit and Governance Committee for additional scrutiny. Similar actions are taken with operational and fraud risks.

The Council has a cross-service Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The council has included risks in the 2021/22 financial statements.

For assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, The Council has outsourced a team of internal auditors, led by the Head of Internal Audit. Internal Audit have a series of key control assignments throughout the year which look at the critical areas of business for the authority. The main reason for these audits are to ensure that internal controls surrounding these key tasks are working effectively. The planned test are compiled into an annual audit plan which is agreed with management at the start of the financial year and is reviewed by the Audit and Governance Committee prior to final approval.

Internal Audit progress reports are presented to each Audit and Governance Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. We are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year.

The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council’s governance, risk and control framework. For the 2021/22 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately across the areas of Governance and Internal Control which have not changed since the 2020/21 opinion which was that an adequate level of assurance can be given that the Council’s overall framework of governance, risk management and control remains appropriate and has been complied with

We have attended Audit and Governance Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council’s requirements. Our attendance at Audit and Governance Committee has confirmed there continues to be an appropriate level of effective challenge.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Governance & decision making: London Road Municipal Buildings & Car Park Extension

Background

Internal Audit conducted a review of the decision-making process surrounding the sale of the London Road Municipal Buildings (2013 – 2019) and London Road Car Park Extensions (2017 – 2021). This report was presented to the July 2022 meeting of the Audit & Governance Committee. In addition, we received correspondence from a local elector in December 2022 that we have taken into account as part of our audit obligations.

Taking the factors into account, we believed it was appropriate to carry out further work in order to evaluate the impact on the Council's governance arrangements in 2021/22.

Timeline

Internal Audit's report contains a full timeline of events, which we have summarised in the table opposite. From our work, including review of the timeline, the approval of planning permission in 2018 (London Road Municipal Buildings) and 2019 (Car Park Extension) and entering into a lease agreement for the car park extension had a clear impact on the lifting of the covenant in January 2021.

London Road Municipal Building	London Road Car Park Extension
In 2013/14, the Council agreed to purchase London Road Municipal Buildings for £615,000. An independent valuation of the property gave a figure of £725,000.	
In 2014/15, a decision to sell the property was made with reports taken to members to evaluate offers. The sale fell through in 2015/16, leading to delegated authority to re-test the market and ultimately the sale of the property for £450,000 (completed in November 2016).	
	2017/18 Policy and Finance Committee gave approval to create additional car parking at the rear of the former Municipal Buildings, subject to lease arrangements and planning approval
	Planning permission for this was granted in November 2018
In 2019, ownership of the property changed hands and planning permission to convert the property into residential flats was approved by officer delegation.	In January 2019, the Council entered into an agreement to build the car park and pay the annual lease.
In January 2021, the covenant on property use was released.	In September 2021, the Policy & Finance Committee received a report on the London Road Car Park Extension Scheme Options as requested by Council in March 2019. It was agreed that this should be escalated to Full Council.
	On 12 October 2021, Council agreed with the proposal to continue with building the car park.
	In November 2021 the Authority agreed to buy back the land for £450,000 and retain it as green space. Members accepted that the land had social and environmental value and there is public support to retain the four trees and green space.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Governance & decision making: London Road Municipal Buildings & Car Park Extension

Position prior to 2021/22

Internal Audit’s report includes a timeline of key events and their findings, in our view, particularly in the period prior to 2019, identifies evidence that standards of governance, decision making, including of financial analysis and risk management fell below expected levels. In particular, Internal Audit reported that:

- there was no engagement plan in 2016/17 over the sale of the Municipal Building or consultation on the proposal or need for additional parking within the London Road car park extension;
- there was no asset management plan or disposal policy in place from 2013 to 2016 to guide the decision on the future of the Municipal Buildings; and
- the reports for both the sale of the Municipal Building (2013 to 2016) and London Road car park extension (2017 and 2019) did not have a comprehensive business case or options analysis to support the decision-making process nor explicit links to any corporate strategy or asset management policy/plan.

Internal Audit’s recommendations have been accepted by Officers and progress against those recommendations are tracked and their status is due to be reported back to the Audit and Governance Committee via normal reporting mechanisms.

Position relevant to 2021/22

Our responsibilities relate to whether there is evidence of either new or ongoing issues that indicate a significant weakness in arrangements in 2021/22. Whilst the events took place in earlier years we have considered:

- Council and Committee Reports dating back to 2016
- Evidence supporting the decision to release the covenant on the Municipal Buildings in January 2021,

including aspects of the Constitution

- The work of internal audit, including meetings with the team
- Meetings with Officers and supporting evidence obtained from those meetings

Based on the work performed, we have not identified any actual significant weaknesses in arrangements in relation to 2021/22.

We are satisfied in the independence of Internal Audit in carrying out their work and do not intend to repeat their findings, given these have been public since July 2022, but do make the following observations:

- The work of Internal Audit covered the risk of conflicts of interest, and whilst no direct concerns arose did suggest areas for improvement, particularly in awareness and in informal meetings.
- There have been financial consequences to the Council, but these fall below the materiality thresholds used for our work on the financial statements. We note however, that many of these costs arise as a consequence of decisions made from as far back as 2013.
- We also reviewed three key reports on the London Road Car Park Extension: Policy & Finance Committee September 2021; and reports to Council in October 2021 and November 2021. These reports contain sufficient information, including legal and financial implications, with the decisions by full Council approved by the majority of Members.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Governance & decision making: London Road Municipal Buildings & Car Park Extension

Weaknesses identified

Whilst performing our work, we have identified two areas where improvements are required

1. Corporate Asset Management Strategy

Although the Council already had a number of the processes in place regarding asset management, a formal strategy was not adopted until July 2022. The lack of formalised strategy during 2021/22 is a weakness, mitigated by the fact that processes and procedures have been informally in place and our work on capital expenditure and asset disposals in the financial statements did not identify any concerns.

Given the strategy has now been put in place, we do not believe a specific recommendation is required.

2. Creating a comprehensive database of covenants and overage agreements

The Council is reviewing arrangements to collate historic records regarding deeds, covenants and any overage agreements on its assets. This work is ongoing and a full list is not yet complete.

Given this is covered by an existing recommendation raised by Internal Audit in July 2022 and progress against implementation is being tracked, we do not believe it necessary to raise a further recommendation.

Arrangements for budget setting and budgetary control

Each year the council plans its spending and income to support its aims, priorities and resources. This includes the setting of the council tax and fees and charges for its services. The aim is to provide excellent value for money and excellent services. The Council budget is built based on the priorities from within the Community Plan. The council also prepares business plans alongside the budgeting process in order to budget accurately and reflect the councils plans within the service areas. The Business plans were prepared and approved by the Strategic Leadership Team (SLT) in January 2021 for a 14month period, taking into account the anomalies that

COVID 19 has brought.

The business planning cycle was refreshed during 2020/21 to include a robust cycle of key council activities throughout a particular financial year. For example, business plan development, budget development, Community Plan refresh and customer insight activities.

A budget strategy is drafted and presented to the Cabinet during the June cycle of meetings to set the context and the high level assumptions to be used in the budget production. We have reviewed the budget assumptions which are deemed to be appropriate and are consistently applied.

Subsequently, financial services officers would then liaise with budget holders to review their anticipated resource requirements, based on their deliverable objectives within the Community Plan. Once the resource requirements have been built into the budget, a report to SLT on the overall budget (with projected Business Rates and Council Tax allocations) is presented at the end of November for senior management approval.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance

Overall commentary on the Governance reporting criteria

Based on all the above considerations we are satisfied there is not a significant weakness in the Authority's arrangements in relation to Governance for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

The Council has in place a community plan which sets out seven objectives guiding work that needs to be undertaken between 2020 and 2023. The Community Plan aims to enable local residents and business to flourish and fulfil their potential, as well as encourage visitors to enjoy all that the area has to offer.

The seven objectives are:

- creating vibrant and self-sufficient local communities where residents look out for each other and actively contribute to their local area
- delivering inclusive and sustainable economic growth
- creating more and better quality homes through our roles as landlord, developer and planning authority
- continuing to maintain the high standard of cleanliness and appearance of the local environment
- enhancing and protecting the district's natural environment
- reducing crime and anti-social behaviour and increasing feelings of safety in our communities
- improving the health and wellbeing of local residents

The Council has a clear performance monitoring process in place. Performance is assessed through Achievement of objectives and activities within the Community Plan, performance indicators of key activities customer insight (customer satisfaction, resident panel, engaged tenants, customer experience survey, customer feedback) and staff delivery (sickness levels, staff survey results etc.).

In aim of achieving these objectives, the Council prepares quarterly finance and performance reports which are submitted to the Senior Leadership Team (SLT) and to the Council's Policy and Finance Committee to monitor performance of these objectives. Through review of minutes we noted that the reports are easy to follow. These clearly indicate the performance indicator, prior year achievement for indicators that existed in 2020/21, quarterly and year to date achievement, target/ National average. The indicator achievements are clearly

coloured where green indicates that the indicator is on target whilst red indicates that it is off target. For red labelled targets, the council clearly indicate reasons for not reaching the target as well as plans to improve performance.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council activities for the financial year.

We have reviewed a sample of targets as reported in the Q4 report for 2021/22 and confirmed that this report is in line with what has been reported in the financial statements. The quarterly reports demonstrate that performance has been managed throughout the 2021/22 year and any significant variances have been justified. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

We identified no significant changes in arrangements regarding partnerships. Significant partnerships are with the council's subsidiaries i.e. Arkwood Development Company, Active4Today and RHH Newark Limited have their own performance framework and progress against objectives and targets are reported to the relevant Council Committee. Designated officers are responsible for taking action or referring it on where appropriate. There are relevant governance frameworks in place for these arrangements and the Council continues to keep its role in these activities under review.

Overall commentary on the reporting criteria

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2022.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts (WGA) consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not received the instructions from the NAO and therefore this work remains incomplete.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having substantially completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees	2021/22 fees	2022/23 Scale Fee
Scale fee in respect of our work under the Code of Audit Practice	£37,213	£37,213	TBC
Additional cost in respect of:			
• Additional testing on IAS19 Pension Liabilities*	£2,998	£3,200	N/A – included in the scale fee
• Additional testing on valuation of land, buildings, council dwellings and investment properties*	£4,069	£4,500	N/A – included in the scale fee
Comparable fee	£44,280	£44,913	TBC
Additional costs arising from:			
• Additional work from the introduction of new auditing standards (ISA 540 Estimates)	£4,000	£2,900	TBC
• Additional testing arising the prior period adjustment for investment properties	-		
Additional cost in respect of the new VFM approach	£6000	TBC	TBC
Total fees	£54,280	£47,813	TBC

**The scale fee for 2022/23 has been uplifted to take into account a permanent increase for pension testing and testing of land & buildings*

Fee variations subject to PSAA approval process.

Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £4k. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.

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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.