

# Draft Audit Completion Report

Newark and Sherwood District Council -  
Year ended 31 March 2023

21<sup>st</sup> February 2024



# Contents

- 01** [Executive summary](#)
- 02** [Status of the audit](#)
- 03** [Audit approach](#)
- 04** [Significant findings](#)
- 05** [Internal control recommendations](#)
- 06** [Summary of misstatements](#)
- 07** [Value for Money](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

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23 November 2023

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. 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 on 29 June 2023. 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 work to date.

If you would like to discuss any matters in more detail then please do not hesitate to contact me at [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk).

Yours faithfully

Mark Surridge

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 2022/23 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;
- Net defined benefit liability valuation; and
- Valuation of Property, Plant and Equipment, and Investment Properties;

- **Misstatements and internal control recommendations**

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1.2m. 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

At the time of preparing this report, significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a 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, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

Our value for money work is ongoing, but at this stage we anticipate having no significant weaknesses in arrangements to report 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 received partial group instructions from the National Audit Office. We anticipate reporting that the WGA submission is consistent with the audited financial statements. However, we are unable to issue our certificate until full group audit instructions are received which confirm if the Council have been sampled to undergo additional audit procedures.



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





# 02


Section 02:

**Status of the audit**


## 2. Status of the audit

Currently, we are not aware of any matters that would require modification of our audit opinion, however, there are areas of work yet to complete:


Audit area	Status	Description of the outstanding matters
Investments		We are waiting for 3 <sup>rd</sup> party confirmations from some account holders
Property, Plant and Equipment		We have a few queries outstanding with management in this area with the majority around the disclosure of the revalued assets in the current year in comparison to what has been revalued.
Group account		Review of group transactions
Completion procedures		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.



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.

# 03

## 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 June 2023. 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 £1.6m using a benchmark of 2% of gross operating expenditure. At this stage of our audit, the same benchmark and percentage has been used, but with materiality revised to £1.725m for the Council and £1.872m for the Group.

## Reliance on internal audit

No reliance has been placed on internal audit for the 2022/23 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. No changes to those outlined in our ASM.

Item of account	Management's expert	Our expert
Property, Plant and Equipment and Investment Property	<b>Wilks, Head and Eve LLP</b> The Council's external valuer	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions
Pensions	<b>Barnett Waddingham</b> Actuary for Nottinghamshire Pension Fund	<b>PWC LLP</b> (Consulting actuary appointed by the NAO)
Business rates appeals provisions	Inform CPI	None
Financial Instrument disclosures	Link Asset Management (LAM) Treasury management advisors	None.

## Service organisations

International Auditing Standards (UK) (ISAs) 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. The table below summarises the service organisations used by the Council and our planned audit approach. There have been no changes to our approach since we issued our ASM.

# 3. Audit approach

## Group audit approach

Where relevant and necessary, provide information on the planned and actual group audit approach.

Group component	Approach adopted	Key points or other matters to report
Newark and Sherwood District Council	●	None. As part of group consolidations audit procedures, we have ensured that the accounting policies of the subsidiaries are in line with those of the parent, i.e. the council
RHH Newark Limited	●	Analytical procedures have been performed
Arkwood Development Limited	●	Analytical procedures have been performed
Active4Today Limited	●	Analytical procedures have been performed

● **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

# 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. On page 15 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
- wider responsibilities

## Significant risks

Management override of controls	<b>Description of the risk</b>
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>
	<b>How we addressed this risk</b>
	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b>
	<p>No material misstatements were noted in this section.</p>

# 4. Significant findings

## Significant risks continued

<b>Net defined benefit liability valuation</b>	<div data-bbox="440 366 2466 515"><b>Description of the risk</b><p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area</p></div> <div data-bbox="440 515 2466 915"><b>How we addressed this risk</b><p>We addressed this risk by:</p><ul style="list-style-type: none"><li>• Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary;</li><li>• Liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;</li><li>• Reviewing 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 will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office;</li><li>• Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements; and</li><li>• Considering the impact of IFRIC14 regarding pension fund surpluses.</li></ul></div> <div data-bbox="440 915 2466 1011"><b>Audit conclusion</b><p>No material misstatements were noted in this section.</p></div>
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# 4. Significant findings

## Significant risks continued

<b>Valuation of land and buildings and investment properties</b>	<div data-bbox="440 366 2466 535"><b>Description of the risk</b><p>Property related assets are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.</p><p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p></div> <div data-bbox="440 535 2466 892"><b>How we addressed this risk</b><p>We addressed this risk by:</p><ul style="list-style-type: none"><li>• Critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li><li>• 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;</li><li>• Assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends;</li><li>• Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers</li></ul></div> <div data-bbox="440 892 2466 1099"><b>Audit conclusion</b><p>There are no matters, other than the misstatements reported in section 6 of this report, that need to be brought to the attention of members.</p><p>The majority of our work on land and building valuations is complete, but with some residual queries to clear before finalising our conclusion. Based on the work completed to date, there are no significant matters that need to be brought to the attention of members.</p><p>We will provide a verbal update on these matters at the Committee's meeting as well as formally concluded in a follow up letter.</p></div>
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# 4. Significant findings

## Qualitative aspects of the Council’s accounting practices

Draft accounts were received from the Council on 31<sup>st</sup> May 2023. We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting.

## Significant matters discussed with management

Throughout the year, we have met with management, where matters discussed include:

### Accounting for Arkwood Development Limited

We have challenged management’s consolidation adjustments for Arkwood Development Limited, particularly whether completed housing has been properly classified and valued in the Group financial statements. We expect that all completed houses would be revalued to fair value at the reporting date (not cost to construct) and reclassified as an asset held for sale balance in the group consolidated accounts, supported by a clear disclosure on what this balance represents.

### Accounting and valuation of land and buildings

We have challenged management’s consideration of whether the carrying value of land and buildings in the balance sheet remained up-to-date at the year end. Management had carried out an exercise that the assets not subject to revaluation in the year could have been understated by £3.1m but made no adjustment to the financial statements. Further work was required to investigate the potential error in more detail, including updated asset valuations and testing. We have also raised a control recommendation on this point.

### Non completion of declaration forms by members

We have noted that 5 members did not complete declaration of interest forms as required by internal policies and procedures. This poses a risk that some material related party disclosures may be undetected which would result in misstatements. This has been raised as a control deficiency and included in section 5 of this report.

## The Council’s financial position, including development of the medium-term financial plan

During the year, we have met with officers to discuss the Council’s financial position and budget setting process and pressures to enable us to reflect on the Council’s financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.

### IAS19 Pension Surpluses

IAS19 Pension Surpluses: Each year employers within the Local Government Pension Scheme receive an actuarial accounting report prepared in accordance with IAS19 Employee Benefits. The report sets out the movement in the employers’ interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end. At 31 March 2023 some employers have, for the first time in many years, a net IAS19 pension asset (surplus). When an employer has a net pension liability, the liability is included in the financial statements in full. Where there is a surplus, there are circumstances under which the surplus is not recognised in full in the financial statements. Where bodies can access the economic benefit arising from the asset in terms of reduced contributions or a refund, they should recognise the net defined benefit as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling. We have discussed and considered the Council’s accounting treatment for its share of the Local Government Pension Scheme, which led to revised actuarial valuations on the local government pension scheme and adjustments to the financial statements.

### Impact of ISA315

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor’s risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. This has involved enhanced risk identification and assessment; greater emphasis on understanding IT; and Increased focus on controls. We have needed to make additional enquires in these areas to enable us to meet these audit requirements.

## 4. Significant findings

### 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 with one day a week visits to the council premises.

### 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 2021/22 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



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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.	0
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.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

# 5. Internal control recommendations

## Other deficiencies in internal control – Level 2

<p><b>Description of deficiency - No market value adjustments were made on properties not revalued in year</b></p> <p>Through our testing we noted whilst management had calculated the potential impact in revaluation movements in respect of those properties not subject to valuation in the current year , they had failed to make the necessary changed in the accounts to reflect this.</p>
<p><b>Potential effects</b></p> <p>Non-compliance with the accounting framework and internal accounting policies. This could also result in material misstatement</p>
<p><b>Recommendation</b></p> <p>We recommend that management reviews the potential impact of these revaluation movements and make the changes in the accounts to reflect the correct asset values at financial year end date.</p>
<p><b>Management response</b></p> <p>The properties with a significant market value adjustment movement on the review of the assets not revalued in year have now been formally valued and the accounts have been adjusted to reflect the valuation movement. Our processes have now been reviewed and refined to make sure when we complete the review of the assets not revalued in year we also consider the overall movement of the market value.</p>

<p><b>Description of deficiency - Members have not completed declaration of interest forms</b></p> <p>As part of our testing of related party disclosures in the accounts, we reviewed declaration forms completed by members and officers. Through this testing we noted that 7 members had not completed these forms.</p>
<p><b>Potential effects</b></p> <p>Related party transactions could go undetected which may result in disclosure misstatements in the accounts. Non-compliance with internal policies.</p>
<p><b>Recommendation</b></p> <p>All members must complete declaration of interest forms, and these must be adequately kept by management and made available to auditors for inspection when required.</p>
<p><b>Management response</b></p> <p>The 7 forms not completed by members relates to the original deadline for member completion, however we have since received another 2 related party disclosures which have confirmed there was no additional impact on the account's disclosure for related parties. Out of the remaining 5 outstanding declarations the majority of those had lost their seat during the May elections.</p>

# 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 £69k. 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	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	During the audit we noted that the council had recorded in the current year income that relates to the previous year (2021/22). The misstatement found was £11k and has been extrapolated which has increased the misstatement value to £206k. This is immaterial therefore there would be no requirement for a prior period error.				
2	Dr Property, Plant and Equipment			1,251	
	Dr CIES - Expenditure		4		
	Cr Revaluation Reserve				1,255
	Potential impact of assets not revalued in the year				
Total unadjusted misstatements		4		1,251	1,255

## 6. Summary of misstatements

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr Grant received in advance			610	
	Cr Short term creditors				610
	Short term creditors incorrectly classified as grants received in advance				
2	Dr: Property, Plant and Equipment				44
	Cr: CIES – Expenditure (HRA)		293		
	Cr: CIES – Other comprehensive income	337			
	Incorrect write off on impaired assets as part of gain/ loss disposal				
3	Dr: Unusable Reserves – RR			442	
	Dr CIES Expenditure (Impairment)	423			
	Cr Property, Plant and Equipment				865
	Adjustments to be made on properties that were not required to be revalued as per the rolling programme				
4	Dr: Assets held for sale			476	
	Dr: Property, Plant and Equipment (AUC)			2,484	
	Cr: Inventories				2,939
	Cr: CIES		21		
	Reclassification of completed assets as at year end for group consolidation purposes				
Total adjusted misstatements		760	314	4,012	4,458

## 6. Summary of misstatements

### Disclosure amendments

We identified the following disclosure amendments during our audit, all of which have been corrected :

- Note 17 - The number of employees including senior employees whose remuneration excluding pension contributions was £50k or more, was disclosed as 30 instead of 29.
- Note 22 had not been disclosed in line with the CIPFA Code. This has been adjusted by management.
- Note 24 - Lease commitment had been understated by £410k based on incorrect calculations on one of the leases
- The narrative statement has been amended to include the going concern assertion statement
- The audit fees note incorrectly included the amount paid to KPMG who are not the auditors of the council.
- Various adjustments were made so that the accounts are in line with the CIPFA Code's presentation and disclosure requirement.

# 07

## Section 07: **Value for Money**



# 7. 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.

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 by January 2024.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. 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 by January 2024.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
First floor,  
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Birmingham  
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Dear Sirs

**Newark and Sherwood District Council - audit for year ended 31 March 2023**

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the Council) for the year ended 31 March 2023 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 2022/23 (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 you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Corporate Services 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 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).

**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 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.

# Appendix A: Draft management representation letter

## 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 Director of Finance and Corporate Services 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;
- 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 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 potential risk of RAAC as well as 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.

## 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.

## Reinforced Autoclaved Aerated Concrete (RAAC)

We confirmed that all buildings which met the criteria of possibly containing RAAC have been surveyed and none of our buildings are affected.

## Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

## Current banking crisis

We confirm that we have assessed the impact on Rushcliffe Borough Council of the on-going Global Banking challenges, in particular whether there is any impact on the council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

# Appendix A: Draft management representation letter

## **Going concern**

To the best of my knowledge there is nothing to indicate that the Council 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.

## **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 and internal control recommendations**

I confirm that the effects of the uncorrected misstatements and internal control recommendations set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

**Section 151 Officer**

# Appendix B: Draft audit report (subject to finalisation)

## 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 subsidiaries (‘the Group’) for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account, Collection Fund statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (‘the Code Update’), published in November 2022.

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 2023 and of the Council’s and the Group’s 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 2022/23 as amended by the Code Update.

#### 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 and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern.

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, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, 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 the 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. 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.

# Appendix B: Draft audit report

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

As explained more fully in the Statement of the Chief Financial Officer’s 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 2022/23 as amended by the Code Update, 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.

The 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 2022/23 as amended by the Code Update 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 and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## 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.

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

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 Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit & Governance Committee, as to whether the Council is in

compliance with laws and regulations and discussing their 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 and the Group which were contrary to applicable laws and regulations, including fraud.

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 in relation to fraud included but were not limited to:

- making enquiries of management and the Audit & Governance 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.

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 & Governance 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 February 2023.

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

# Appendix B: Draft audit report

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

### 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 January 2023.

### 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.

Mark Surridge

Key Audit Partner  
For and on behalf of Mazars LLP  
2 Chamberlain Square  
Birmingham  
B3 3AX

[Insert date]



# 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.

# Appendix D: Other communications

Other communication		Response
 <b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. 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>	
 <b>External confirmations</b>	<p>At the time of this report, we have one external confirmation outstanding. Management have been co-operative with requesting these confirmations, however, there has been a delay in receiving the confirmation from one of the counterparties despite both the audit team and finance team chasing this.</p>	
 <b>Related parties</b>	<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"> <li>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</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework</li> </ul>	
 <b>Going concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Corporate services that Rushcliffe Borough 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>	

# 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 Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> <li>they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>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;</li> <li>they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>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.</li> </ol>

## Mark Surridge - Partner

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