Auditor's Annual Report

Newark and Sherwood District Council – year ended 31 March 2023

April 2024

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Contents

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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 2023. 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

Our audit report issued 8 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

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

Value for Money arrangements

In our audit report issued we reported that we had 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. Section 3 provides our commentary on the Council's arrangements.

Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 8 April 2024 we completed our work on the Council's Whole of Government Accounts return and reported to the group auditor in line with their instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

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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 2023 and of its financial performance for the year then ended. Our audit report, issued on 8 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

Draft accounts were received from the Council on 31st 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, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Significant matters discussed with management

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

Accounting for Arkwood Developments Limited

We have challenged management's consolidation adjustments for Arkwood Developments 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. Officer's made the adjustments as part of the consolidation process in line with CIPFA's Code of Practice.

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 concluded that assets not subject to revaluation in the year could have been understated by £3.1m but no adjustment had been made to the financial statements in respect of this. We raised raised a control recommendation on this point. Further work was required to investigate the potential error in more detail, where management updated asset valuations which reduced the understatement to £0.8m, this value is immaterial and was not adjusted for in the final accounts

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. For 2022/23, the Council remained in a net liability position.

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 an increased focus on controls. We have needed to make additional inquiries in these areas to enable us to meet these audit requirements.

Town's Deal Funding

We considered the accounting treatment for Town's Deal Funding and how it has been included in the Council's financial statements, with no significant matters arising from our testing.

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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's 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	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	No	No	No
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	20	No	No	No

3. Commentary on 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 weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

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 2021/22. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

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 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including regular reporting to Members. On the 9 March 2022 the Council presented the Medium Term Financial Plan (MTFP) which showed a balanced budget for 2022/23. In its MTFP, the Council projected deficits to be funded by reserves, as follows:

Year / £m	2022/23	2023/24	2024/25	2025/26
Estimated Expenditure	15.560	16.394	16.774	17.241
Estimated Income	14.903	12.947	13.845	14.760
Contribution (to) or from Reserves	0.632	3.447	2.929	2.481

2022/23 Budget setting and the Medium-Term Financial Plan

The Council's report refers to the limitations caused by delays in the local government funding reform. The Government initially intended for these reforms to take effect from 2020/21 however delays were noted. At the point in time thoughts were that the reforms would be delayed until to 2023/24 at the earliest. At the same meeting the Council presented how it proposes to bridge the funding gaps. Some of the mitigating methods were dividends to be received from Arkwood Developments Ltd, contributions from Nottinghamshire business rates pool as well as contributions from the MTFP reserve (which stood at £6.2m as at March 2023 (2021/22 -£5.9m)). The reserves balance indicate that the Council would be able to cover immediate gaps, although it does need to identify other mitigation strategies to cover the future funding shortfalls.

We have read committee reports covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with officers throughout the year. In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets with no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

2022/23 Statement of Financial Position and financial outturn

The purpose of the Council's General Fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes. We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Council's usable reserves have decreased by £8.949m to £68.100m in 2022/23, with:

- General Fund Balance & Earmarked Reserves of £32.320m, down from £36.343m in the prior year
- HRA Balance & Earmarked Reserves of £7.115m, down from £7.294m in the prior year
- Capital Reserves of £15.421m, down from £15.962m in the prior year.

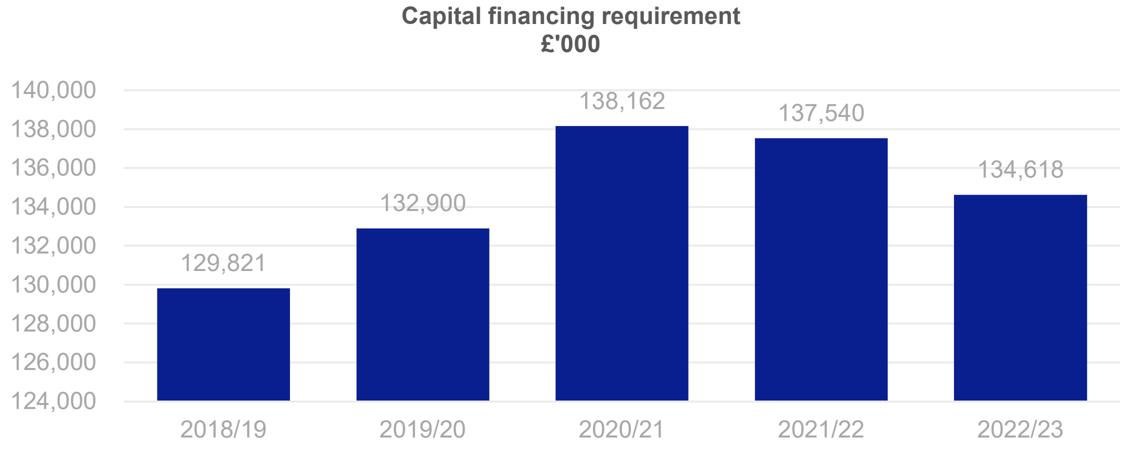
Our work to date has not highlighted any risks of significant weakness in arrangements or indicators of an immediate risk to the Council's financial sustainability. However, the use of reserves to bridge the MTFP cannot be a long-term solution and the Council will need to evaluate how either savings or income generation activity can support spending plans. The s151 Officer and Senior Management understand that the use of reserves cannot be a long term solution and already have started putting in place plans to generate efficiency savings and income generation, for example the Council's Commercialisation Plan and service reviews carried out/planned by the Transformation Business Unit. Management also recognise that further work will be required in 2024/25 to identify ways of reducing the council's net budget.

VFM arrangements – Financial Sustainability

2022/23 Statement of Financial Position and Financial Outturn (continued)

We have further reviewed the Council's outturn reports as presented to Cabinet on 27 June 2023, which explained the overall budget variance to be:

£m	Budget	Outturn	Variance
Net Cost of Services	18.346	17.600	0.746
Net Cost of Council Expenditure	3.273	0.881	2.392
Net Cost of HRA Services	5.425	5.038	0.387
(Surplus)/Deficit on HRA Services	0.839	0.555	0.284

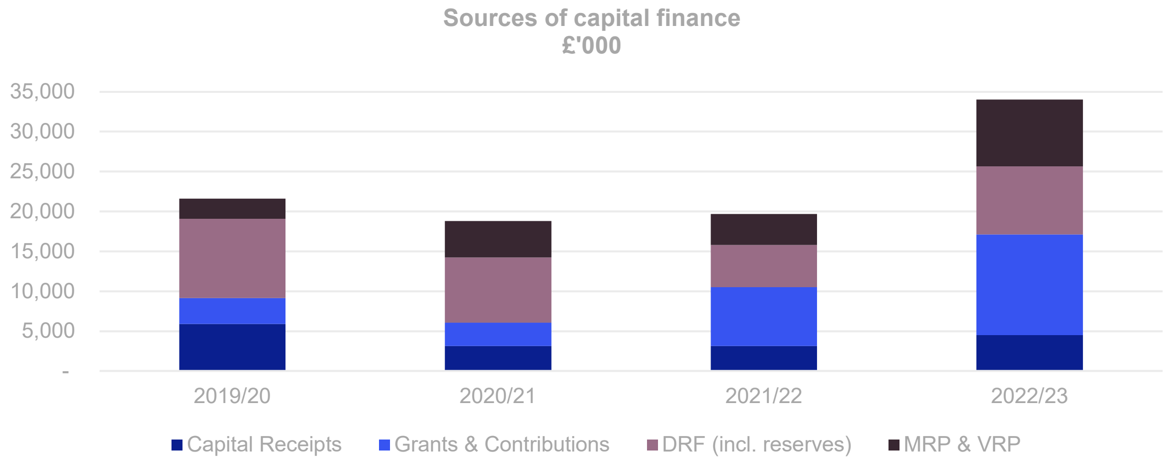


The large variance on the net cost of council expenditure was due to differences in interest receivable, where actual interest rates were higher than expected. Members were informed that capital expenditure 2022/23 amounted £31.118m over both the General Fund and Housing Revenue Account. This is made up of £19.294m on council owned assets and £11.824m Revenue Expenditure Funded from Capital Under Statue (REFCUS). Capital expenditure has been financed largely from External Grants and Contributions, Capital Receipts as well as Revenue Contributions with 17.5% remaining unfinanced and representing an increase in the underlying need to borrow.

Our testing of the financial statements did not identify any material issues regarding the Council's reported financial position on revenue and capital. In addition, we are satisfied that the reported financial position to Cabinet is not indicative of a risk of significant weakness in the Council's arrangements for financial sustainability.

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deemed to be adequate. We considered the Council's capital financing requirement as set out in Note 29 of the financial statements, which has risen from £129.821m in 2018/19 to £134.618m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.



VFM arrangements – Financial Sustainability

The Council's capital expenditure and financing (continued)

In 2022/23, the Council spent £19.294m on capital additions and £11.824m of REFCUS. Our testing of these balances did not identify any material issues.

As part of paying down the capital financing requirement, the Council charged £0.593m to the General Fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2022/23 and its supporting calculations as part of our work on the financial statements audit.

- The Council's opening Capital Financing Requirement (CFR) is £137.540m and the split between General Fund (GF) and Housing Revenue Account (HRA) amounts to £26.546m and £110.994m respectively.
- The Council uses the asset life method to calculate its MRP with a General Fund charge of £0.593m which is 2.2% of the General Fund Capital Financing Requirement
- The Council also made a Voluntary Revenue Provision (VRP) of £1.270m.
- Additionally a further £6.532m has been charged against the Major Repairs Reserve in respect of the repayment of HRA debt.

We note that the 2022/23 closing CFR also includes a £4.2m of capital expenditure incurred during the year with any MRP charge only commencing in the year after acquisition, in line with Council policy, which also has an effect on the ratio's used in benchmarking.

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

There are expected changes to the framework in setting the MRP, as a result, we expect that the Audit and Governance Committee will receives a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy.

Overall, 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 2023.

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

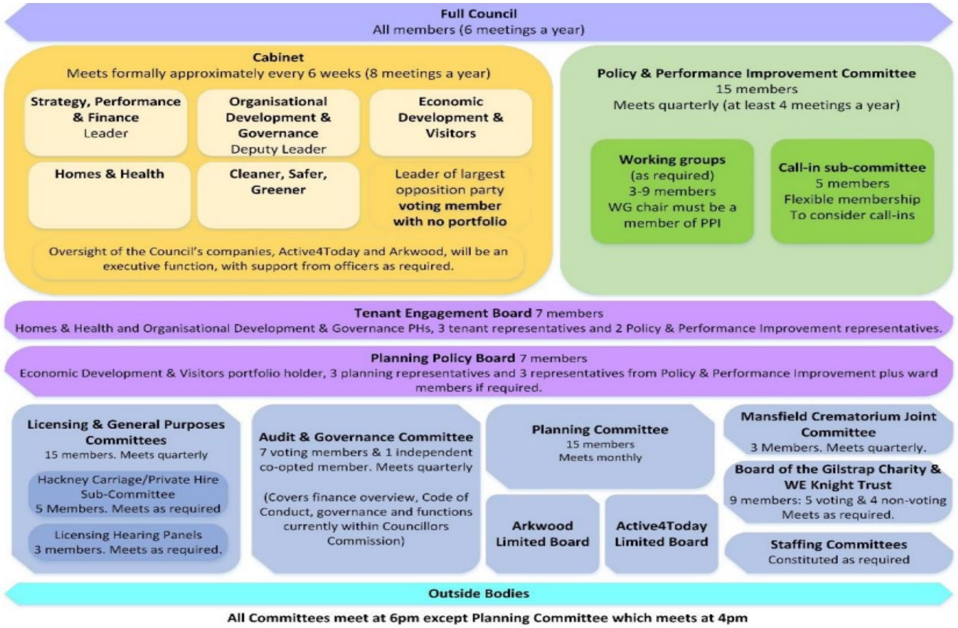
Significant weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

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 the previous year.

The Council’s governance structure

At its meeting held on 4 May 2021 full Council resolved to adopt a Leader and Cabinet style of governance, with implementation that took effect from May 2022. A small working group of Members was tasked with formulating the detail of how the new governance arrangements should operate. The newly formed structure is as tabled below:



This governance arrangement is detailed in the Council’s Constitution and the summary is included in the Annual Governance Statement. The Council’s governance structure prioritises 7 core principles as identified in the Framework. These are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity’s capacity, including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

We have attended the Council’s Audit and Governance Committee meetings; we have reviewed minutes from the different committees against our understanding of the Council as part of our audit. 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 Cabinet and Committees to evidence the matters discussed, challenge and decisions made. Based on our work, we are satisfied that the Council has established adequate governance arrangements in line with that expected for a district council.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

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. In addition to this, a Fraud Risk Register is in place with a refresh taking place during 2022/23. This was presented to the Audit and Governance Committee at its meeting in June 2023. Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

We have reviewed the risk registers and noted that these are reviewed regularly, 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.

Our work has not identified any significant weakness in arrangements for risk management.

Internal controls

We have considered arrangements for assurance over the effective operation of internal controls, including the prevention and detection of fraud.

We considered the role of Internal Audit, which is provided by an outsourced team of internal auditors, led by the Head of Internal Audit. Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The main reason for these audits are to ensure that internal controls surrounding these key tasks are working effectively. The planned tests 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.

We have reviewed minutes, reports and attended committee meetings to confirm that 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 Annual Report including an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework based on the work completed during the year. For the 2022/23 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately in Governance and performing well in Risk, Internal Control and Financial Control. We confirmed this was appropriately reflected in the Council's Annual Governance Statement.

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 these meetings has confirmed there continues to be an appropriate level of effective challenge.

We made specific enquiries of management and internal audit regarding fraud and corruption and have not been made aware of any significant issues.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

2023/24 Budget setting and the Medium-Term Financial Plan (MTFP)

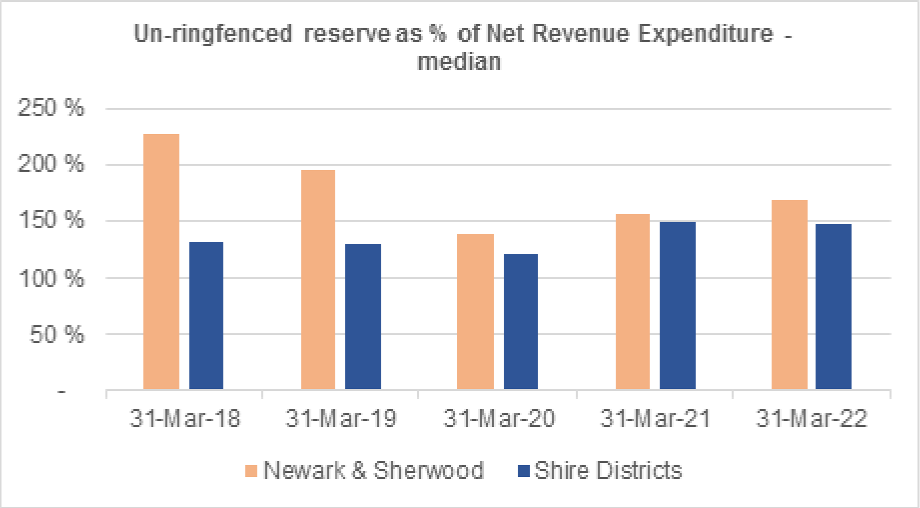
The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Council in March 2023, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term financial planning through the one-year local government finance settlements.

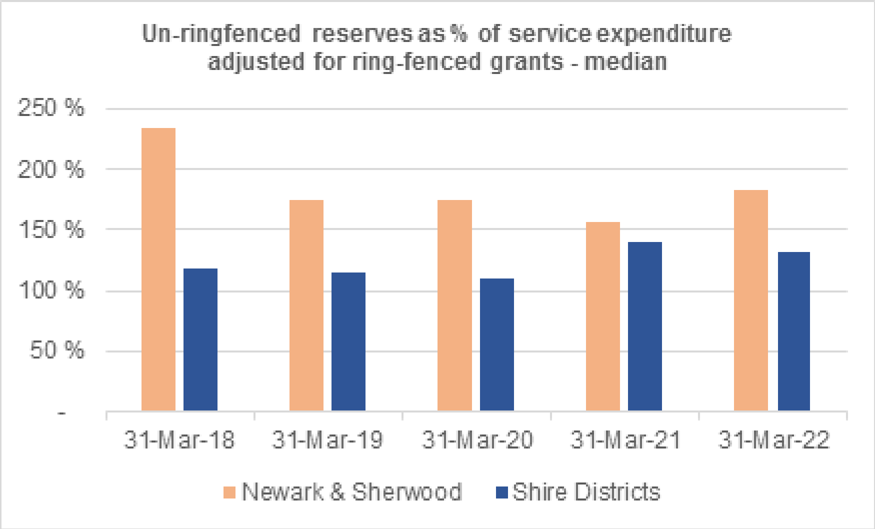
The table below reproduces the MTFS table.

	2023/24	2024/25	2025/26	2026/27
Estimated expenditure	16.969	17.978	18.895	19.655
Estimated Income	17.528	18.423	13.692	14.210
Contribution (to) or from Reserves	(0.569)	(0.444)	4.853	5.446

Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to shire districts since 2018:.





VFM arrangements – Governance

Financial sustainability and reserves (continued)

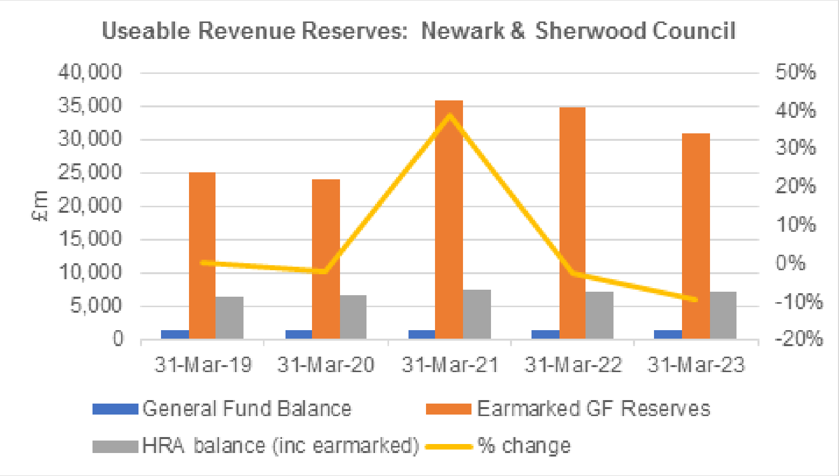
The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

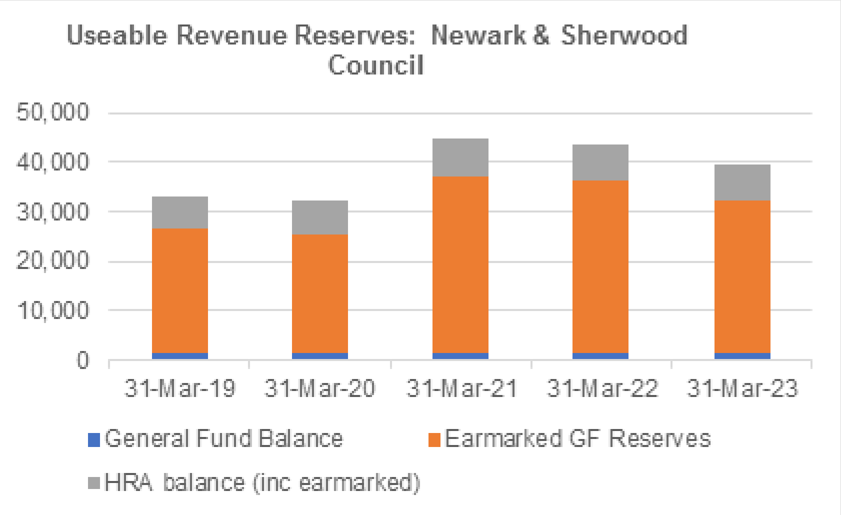
Through a review of the financial statements, we have considered the Council's revenue reserves over time:

- As set out on the previous page, the Council's revenue reserves are above the median for district councils.
- Whilst reserves have increased to 2021, and remained relatively stable since, they are finite. The Council's General Fund Balance has remained stable over the last 5 years, but savings targets required in order to maintain this are increasing rapidly

We considered the reasonableness of the 2023/24 budget by reviewing the most recent report to Cabinet (March 2024) on financial performance. The council's MTFP reflects a shortfall of £1.552m in 2025/26 which is lower than the initially projected shortfall of £4.853m. In the report to Cabinet it was noted that the impact of the government's decision to delay the reform to the system has been positive on the funding position of the Council. The delay in re-setting the NDR baseline has meant that expected NDR income in 2023/24 to 2025/26 is £12.3m higher than forecast within the MTFP that was approved in March 2022. Whilst reserves enable the Council to cover immediate gaps, it will be need to identify other mitigations to cover the future funding shortfalls.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes going forwards. 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. Use of reserves cannot be relied on to provide a long term solution to funding gaps. Our work has not highlighted either a risk of or actual significant weakness in the Council's arrangements for ensuring financial sustainability.





Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements.

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 weaknesses identified in 2021/22	None
Significant weaknesses identified in 2022/23	None

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Community Plan and performance monitoring

The Council adopted the Community Plan during the 2019/20 financial year which was approved at Council on the 7 March 2019. The Community Plan spans the medium term from 2019 through to 2023 and, as this represented its last year, the Council undertook a resident survey in order to identify and prioritise its community's wants for the new community plan adopted in December 2023. The previous Community Plan included 7 objectives, which were:

- 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. We have reviewed minutes of the Policy and Performance Improvement Committee on the 26 June 2023 where the Council reviewed performance against the set indicators. We noted that performance is assessed through achievement of objectives and activities within the Community Plan. The report clearly indicates the target set for the financial period, and thereafter shows the Council's performance against the target as well as comparatives for the previous two financial periods. Performance is also colour coded where green indicates good performance whilst red is reflective of where improvements are needed. A narrative is also included to show how the Council plans to improve results where necessary.

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's activities for the financial year.

We have reviewed a sample of targets as reported in the Q4 report for 2022/23 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 2022/23 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.

Procurement

The Council has specific arrangements through standing financial instructions and purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies in these areas.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Newark Town Deal and Levelling Up Fund

In March 2021 the Government announced that Newark was successful in securing the maximum £25m grant of Town Deal funding. The Council entered into a Newark Town Deal (NTD) with Government in March 2021, committing to develop all 10 priority projects. In addition to the £25m from Towns Fund, the Council successfully applied for and secured £20m of Levelling Up Round 1 Funding for the Newark Southern Link Road in summer 2021. The Newark Towns Deal (NTD) and Levelling Up Funds R1 (LUF1) makes clear that the Council is the accountable body for the purposes of assurance and management of any Towns Fund grant spend and associated outputs.

Through review of the Policy and Performance Improvement Committee minutes dated 26 June 2023 we noted that progress of projects is monitored carefully against the target outputs, as at this date all projects were on track for the deadline of March 2026.

The Council has responsibility for ensuring a Local Assurance Framework is in place which meets the standards set out by Government, and that decisions are made in accordance with it. The Local Assurance Framework, adopted by the Council's Policy and Finance Committee in June 2021, sets out how the Newark Towns Fund Board will effectively undertake its role in relation to good governance and allocation of the public funds it is responsible for.

A similar arrangement to the above is in place regarding £20m of Levelling up funding that was awarded to the Council in respect of the Southern Link Road. A monitoring board has been established consisting of officers of the Council, together with representatives from the developer-Urban and Civic, National Highways and Nottinghamshire County Council. The Council is responsible for the proper administration of the funding, and has, through the project, employed an independent quantity surveyor in order to ensure claims of grant from the developer are accurate and proportionate and can be approved by the Council's s151 Officer.

We obtained a copy of the Local Assurance Framework (LAF) to confirm one was in place. This sets out how Newark and Sherwood District Council and Newark Town Funds Board undertake their respective roles in relation to good governance and delivery of the projects being funded through the Towns Fund. The framework sets out the structure and roles that each organisation will undertake and the processes and policies that will apply to the decision making and oversight that are required in managing the Town Deal programme.

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 2023.

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
- 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 NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted the assurance statement to the National Audit Office (NAO) on 8 April 2024 in line with the NAO's Group Audit Instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

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 presented to the Audit and Governance Committee in 14 June 2023 Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follow

Area of work	2021/22 fees	2022/23 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	37,213	49,797	145,685
Additional fees in respect additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	9,365	Included in scale fee	-
Subtotal	**46,578**	**49,797**	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates)	2,900	3,181	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	-	5,991	
Additional costs arising in testing material new grant income schemes (Towns Deal Fund) and material errors in asset valuations and group consolidation	-	6,546	-
Additional fees in respect of Group Accounts	2,530	6,361	-
Additional fees in relation to the VFM Commentary	12,000	8,960	-
Total fees	**64,008**	**80,128**	**145,685**

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 £4,500. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.

A

Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and a summary of our findings..

Risk	How we addressed the risk	Audit Conclusion
Management Override of Controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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.	We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements • consideration of identified significant transactions outside the normal course of business • journals recorded in the general ledger and other adjustments made in preparation of the financial statements	There were no significant issues arising from the work performed.
Net defined benefit liability valuation 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.	We addressed this risk by: • critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary • 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 included 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 • 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 included comparing them to expected ranges, utilising information supplied by PWC, the consulting actuary engaged by the National Audit Office • 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 • considering the impact of IFRIC14 regarding pension fund surpluses	We identified an error, below our material threshold, as a result of a misstatement in the asset value of the pension fund administered by Nottinghamshire Pension Fund but overall were satisfied that the work performed provided the assurances we sought.

A. Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	How we addressed the risk	Audit Conclusion
Valuation of Dwellings, Land & Buildings and Investment Property 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. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.	We addressed this risk by: • critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations • 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 provided by Montagu Evans to provide information on regional valuation trends • 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	Material errors were identified from the work we performed arising from: • Incorrect classification of assets under construction for the purposes of group consolidation purposes • Assets not subject to revaluation during 2022/23 being materially incorrect, requiring new valuations We additionally reported a control deficiency in relation to the Council's consideration of non-revalued assets. Following adjustment to the financial statements, we were satisfied the financial statement were free from material error.

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

We reported a three unadjusted misstatement identified during the course of the audit. These misstatements were immaterial in aggregate.

Summary of internal control recommendations

Our audit reported two internal control recommendations. All recommendations were accepted by management.

Mark Surridge - Partner

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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.

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