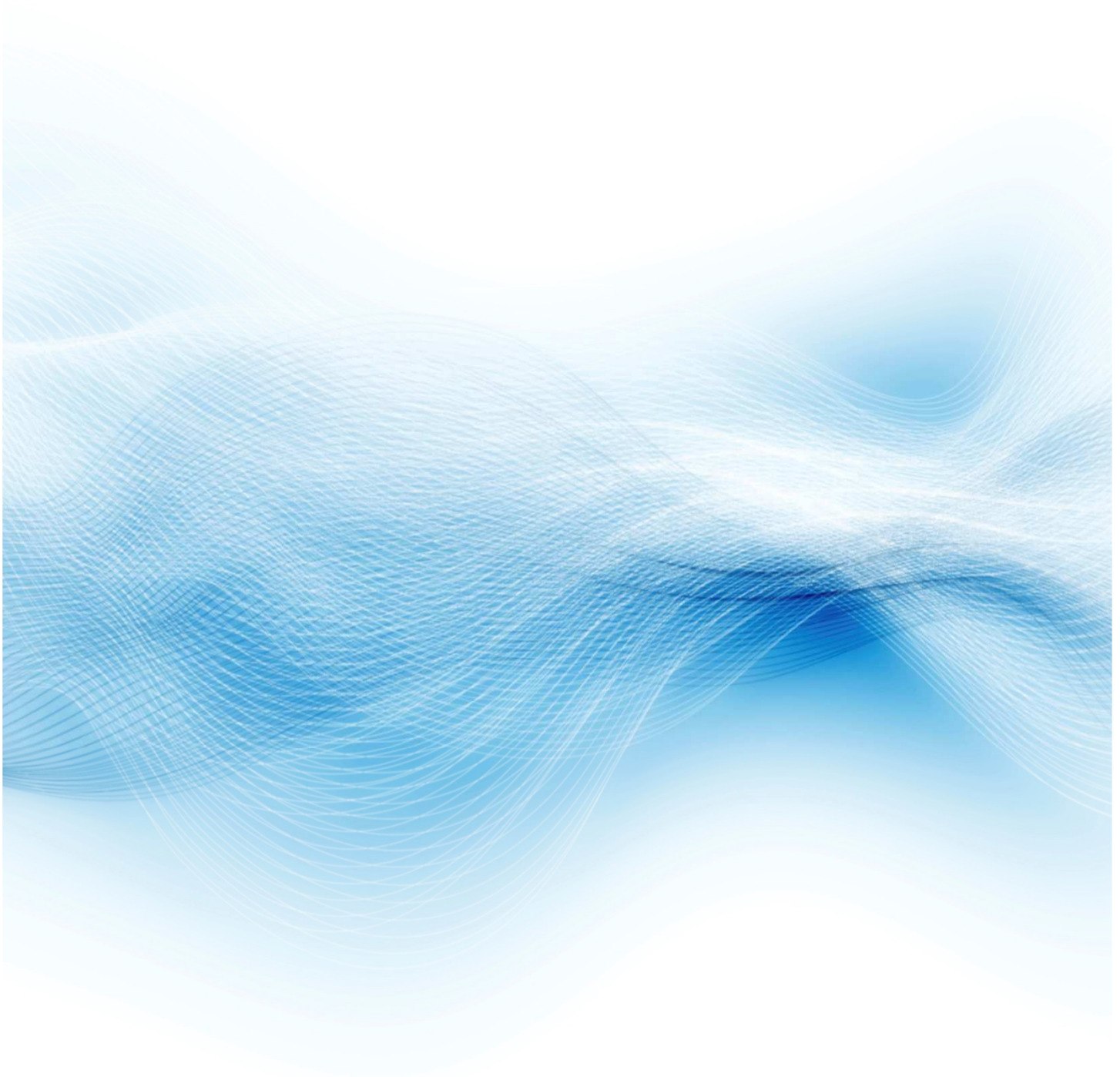




Audit Completion Report

Newark and Sherwood District Council
Year ending 31 March 2019





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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24 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 24 April 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate .

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully

David Hoose
Mazars LLP

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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Newark and Sherwood District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Accounts Committee meeting on 24 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

Significant Audit Risks:

- Management override of controls
- Valuation of property, plant and equipment, investment properties and assets held for sale
- Valuation of net defined benefit liability

Key Judgement Areas:

- Debt impairment
- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following items are outstanding

- Completion of work on the Council Tax analytical review;
- Addressing any residual audit queries arising from our completion procedures;
- General audit file completion and review procedures;
- Final review of amended accounts; and
- Final audit Partner review.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1,351k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors was increased to £1,831k, recognising an adjustment for the revaluation movement on council dwellings. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Accounts Committee), at the planning stage of the audit at £41k, and again our final assessment was adjusted for the revaluation movement on council dwellings to £55k.

1. EXECUTIVE SUMMARY

Key findings of our work

As we outline below, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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 conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, which has a deadline of 13 September 2019. The Authority is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.

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. We have received no such objections or questions from local electors.

Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. There were a number of audit adjustments to the accounts and one uncorrected misstatements above our trivial threshold.

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2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit that include:

- our audit conclusions regarding 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 10 we have concluded that the financial statements have been prepared in accordance with the financial reporting framework and provide commentary on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

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

Significant risk	Description of the risk
Management override of controls	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.
How we addressed this risk We addressed this risk by:	
<ul style="list-style-type: none">• Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walking through those processes and controls to confirm our understanding;• Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;• Evaluating the business rationale for any significant transactions outside the normal course of the business;• Understanding the oversight given by those charged with governance of management processes over fraud; and• Considering whether the Council's accounting policies are consistent with industry standards;	
<i>Clarification from the Audit Strategy Memorandum</i> In our Audit Strategy Memorandum we also said we would:	
<ul style="list-style-type: none">• Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;• Sample test accruals and provisions based on established testing thresholds; and• Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	
This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.	
Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.	

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2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk Valuation of property, plant and equipment, investment properties and assets held for sale	Description of the risk <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.</p>
	Relevant account balances <ul style="list-style-type: none"> Property, plant and equipment Investment properties (note that these have been reclassified as PPE so that investment properties are no longer material) Assets held for sale
	How we addressed this risk <p>We addressed this risk through performing the following audit work:</p> <ul style="list-style-type: none"> 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 our own valuation expert to provide information on regional valuation trends; Critically assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and Testing a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.
	Audit conclusion <p>The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of net defined pension liability

Description of the risk

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- 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 provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham;
- Liaised 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 IAS 19 valuation is complete and accurate;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

Audit conclusion

Whilst the majority of our work on the Council's defined benefit pension liability has not identified any issues, we do wish to bring the following to Members' attention.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

The Council has updated the financial statements for the changes.

2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgment Debt impairment	<p>Description of the judgment Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.</p> <hr/> <p>How we addressed this management judgement We addressed this judgment through performing the following audit work:</p> <ul style="list-style-type: none"> • Reviewing the level of reported debt as at the 31 March and considering the implications for any material change; • Ensuring that managements methodology for calculating the provision has been consistently applied and is in line with the requirements of the Code; • Testing the collectability of both significant and a sample of other non-significant debtor balances; and • Re-performing the basis of the calculation for the impairment of debtors. <hr/> <p>Audit conclusion Our audit procedures relating to the Council's provision for the impairment of doubtful debts have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.</p>
Key area of management judgment Provision for business rate appeals against the rating list	<p>Description of the judgment The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.</p> <hr/> <p>How we addressed this management judgement We addressed this judgment through performing the following audit work:</p> <ul style="list-style-type: none"> • Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries; • Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; • Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and • Assessing whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements. <hr/> <p>Audit conclusion Our audit procedures relating to the Council's provision for business rate appeals have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Key area of management judgment

Minimum Revenue Provision (MRP)

Description of the judgment

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

How we addressed this management judgement

We addressed this judgment through performing the following audit work:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Confirming that any charge has been accounted for in accordance with the Code.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements in relation to the Council's MRP, and there are no matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Opening balances

We have performed relevant audit procedures on the Council's opening balances. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 May deadline and were of a good quality. This represents a significant achievement by the finance team. We received positive cooperation from the finance team throughout the course of the audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff.

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 2018/19 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.

We have not received any questions or objections.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is 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. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor 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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Description of deficiency

Fixed asset additions

Our testing of fixed asset additions identified capital expenditure of £42k against one asset that had been recognised in both 2017/18 and 2018/19. This was due to an address duplication of the information provided by Newark and Sherwood Homes in 2018/19, as the second amount of £42k should have been allocated to a different property address. While this is a control deficiency, there is no financial impact as the works have been included in the asset register and then revalued down to nil.

Potential effects

Assets could be overstated where assets are not revalued to nil.

Recommendation

The Council should ensure that fixed asset additions are recognised in the correct year.

Management response

While there is no overall financial impact of this recommendation, a comparison will be completed with the information provided by Newark and Sherwood Homes at the end of the financial year to make sure no properties are duplicated as above.

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4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £55k.

The first section 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 section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

The Council has adjusted the financial statements for the impact of the McCloud judgement as detailed below. However, it has not adjusted the group accounts in respect of its subsidiaries, Newark and Sherwood Homes and Active4Today, since the accounts of these entities have already been audited and the resulting changes are not material. The impact of this would have been:

- a reduction in Gains and Losses on the Cost of Services of £337k
- a reduction in Past Service Costs of £389k
- an increase in the Pension Liability of £726k

Adjusted misstatements 2018/19

We identified the following misstatements, one of which exceeds our audit materiality, that management has agreed to amend. For completeness we report all of these in the table below:

	Before £'000	After £'000
1 Balance Sheet - Net Pension Liability	63,820	65,937
Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	3,332	4,354
Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,751	1,755
Total re-measurements recognised in Other Comprehensive Income and Expenditure	7,429	6,338
Updated figures as a result of a revised actuarial valuation, taking into account assumptions for the McCloud judgement and actual performance of the pension fund to 31 March 2019. There are also additional consequential changes to the Pension Fund note as well as connected notes, but none of these items impact the Council's General Fund.		
Balance sheet reserves	163,719	163,134
Balance sheet – tangible assets	353,416	352,831
This is the adjustment to correctly reflect the value of Newark Livestock Market as a result of using the incorrect estimated income, thus over-stating the asset's value.		

Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or the related notes, our audit also identified a small number of errors in relation to other disclosures. These have been discussed with management who have agreed to the amendments and includes:

- Annual Governance Statement – the draft statement did not reflect the final Head of Internal Audit's opinion and needed to be revised
- Narrative Report – some minor adjustments were suggested which management agreed to adjust.
- Leases Note 26 was understated by £1.1 million – management have agreed to adjust this disclosure note.
- There was a discrepancy of £285k in the figures for gains/losses between Note 45 and Note 16 – management has agreed to adjust the disclosure in Note 45.

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we have identified one significant risks to our VFM conclusion around financial resilience, as shown in the table below.

Our detailed findings are set out on the following page. Based on the work performed, we we are satisfied that the Council's arrangements are adequate.

Matters kept under review

Before drawing our conclusion, we have:

- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the Council's financial outturn position as presented in the financial statements.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified a single significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
Financial resilience		
<p>The Authority has been successful in reducing its net budget requirement significantly over the previous seven years and has set a balanced budget for 2018/19. Projections show an underspend against budget of around £600k for the financial year. In response to falling central government funding levels and increases in service demands, the Authority has established an efficiency programme which has delivered savings of almost £6 million since 2010/11. The medium term financial plan, covering the period to 2022/23, shows a balanced budget for each of the years covered by the plan. However, this is based on a number of assumptions around inflation, business rates income and council tax increases. Sensitivity analysis against the assumptions indicates that there will be a need to make savings of up to £2.6 million over the period of the medium term financial plan. The Council's budget gap in future years will be partly met from savings on ongoing schemes but there is also a need to develop new revenue streams. The Authority has developed a Commercialisation Strategy and an Investment Strategy which aim to drive the generation of new income and the initiatives which derive from these strategies will be crucial in bridging the budget gap whilst meeting the Authority's strategic priorities.</p>	<p>We have critically reviewed whether the Council has:</p> <ul style="list-style-type: none"> Used reasonable assumptions in the development of its medium term financial plan; Considered any changes in the accounting and regulatory environment within any sensitivity analysis conducted as part of its investment decision making process; and Ensured that Members have sufficient expertise to understand the process and decisions that they have ultimate responsibility for approving. 	<p>Having completed our planned procedures, we are satisfied that the Council has adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. It has a robust Medium Term Financial Plan (MTFP) and has clearly presented the financial challenges facing the organisation and the sector. It has laid out plans for the next three years, including potential budget gaps. Specifically, the MTFP details the assumptions which have been made in developing the Plan and these are reasonable and well-articulated. These include:</p> <ul style="list-style-type: none"> Salary and inflationary increases Council tax Business rates and levels of provision for appeals Levels of Government funding including Revenue Support Grant, Business Rates Retention and New Homes Bonus <p>The MTFP includes a sensitivity analysis which models the effect of any changes in assumptions on major areas of income and expenditure for example council tax, business rates, fees and charges and salaries. It also highlights areas where outcomes are still unknown such as changes in national and local policy and the results of the Fair Funding review. The MTFP also shows where the budget reductions have come from in 2018/19 and 2019/20.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
		<p>The Council has a well-established decision making structure and arrangements for Member involvement in the financial and investment decisions of the organisation. Reports to Members include clear information on future plans, in year financial performance, treasury management activities and performance, investment decisions and plans. There is no evidence to suggest that Members have not been given the relevant information to make informed decisions on financial and investment issues. The Council's Investment Strategy confirms its commitment to ensuring that Officers and Members are provided with the right capacity, skills and information to make investment decisions.</p> <p>The 2018/19 year end position was a £0.323 million surplus against service budgets, with a total underspend variance of £1.957 million, enabling the Council to make a transfer to usable reserves of £3.375 million. This further strengthened the Council's already strong position with regard to reserves, taking usable reserves to £53 million overall with general fund reserves of £1.5 million and earmarked reserves of £25 million within this balance. The Council is therefore in a good position but will need to keep the emphasis on its commercialisation and investment decisions in order to bridge the gap in funding for future years.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Park View House
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Nottingham
NG1 5DW

24th July 2019

Dear Sirs

Newark and Sherwood District Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (and Group) for the year ended 31 March 2019 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 2018/19 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council (and Group) 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 (and Group'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 in accordance with the to you the requirements of the Code and applicable law.

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

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.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Chief Finance Officer

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APPENDIX B

DRAFT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

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 2019, which comprise the Comprehensive Income and Expenditure Statement, the Council and Group Movement in Reserves Statement, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Newark and Sherwood District Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, 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

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

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

Other information

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

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

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer 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 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Conclusion on Newark and Sherwood District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, Newark and Sherwood District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2018, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure 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.

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DRAFT AUDITOR'S REPORT (CONTINUED)

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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

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.

Certificate

We certify that we have completed the audit of Newark and Sherwood District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

David Hoose For and on behalf of Mazars LLP

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
24 July 2019

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APPENDIX C INDEPENDENCE

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

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

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