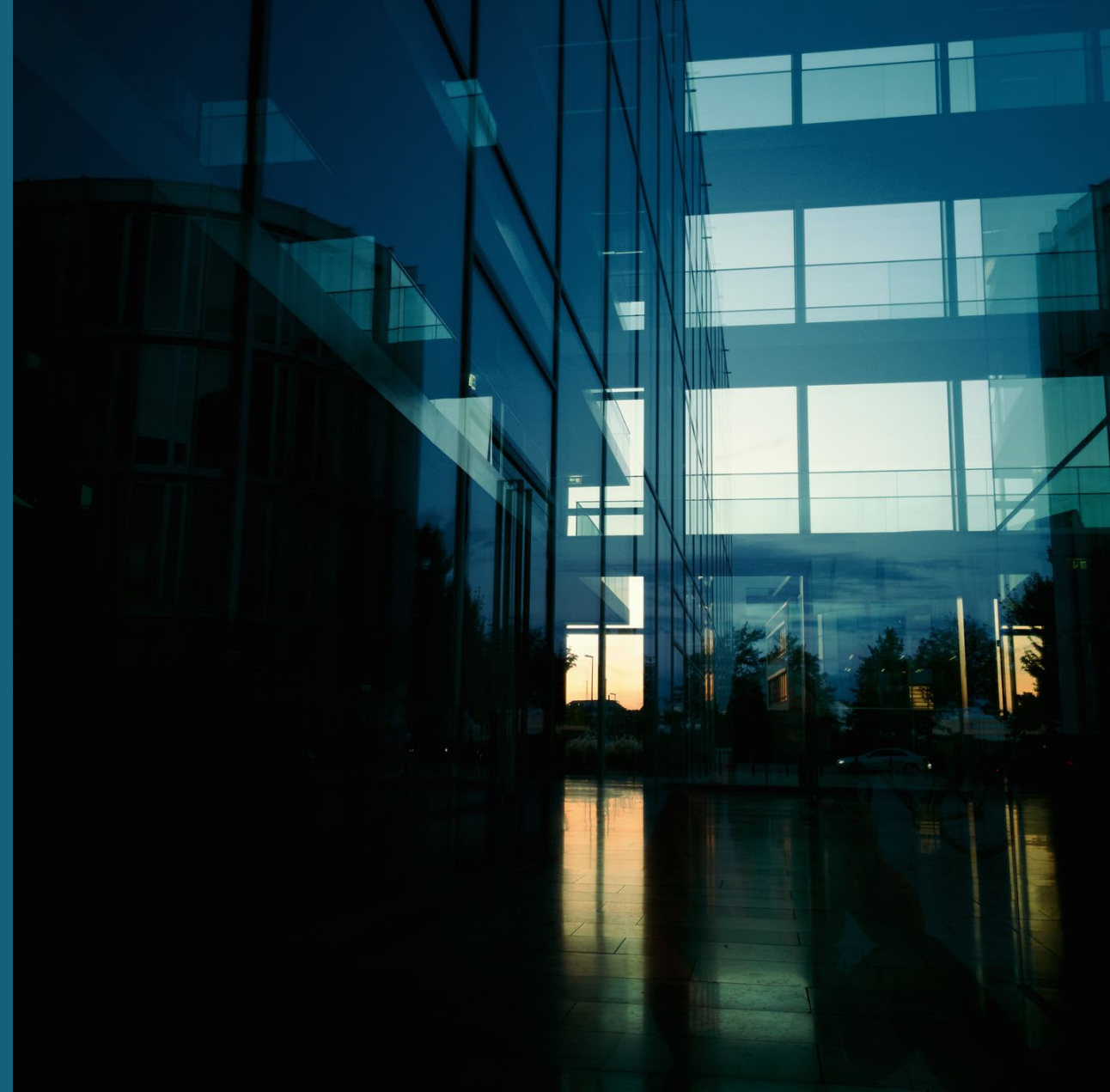


# Audit Completion Report

Broxtowe Borough Council – Year ended  
31 March 2022

13 March 2023



# Contents

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

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

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 Broxtowe Borough 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. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



## Governance, Audit and Standards Committee

Broxtowe Borough Council  
Town Hall  
Foster Avenue  
Beeston  
Nottingham  
NG9 1AB

13 March 2023

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. 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 in April 2022. 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 Mark Surridge on [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP  
2 Chamberlain Square  
Birmingham  
B3 3AX

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Valuation of property, plant, equipment and Investment properties
- Management override of controls; and
- Revenue recognition.

## Misstatements and internal control recommendations

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

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, there are no significant matters outstanding OR significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

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



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money

Appendices





# 02


Section 02:

**Status of the audit**


# 2. Status of the audit

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


Audit area	Status	Description of the outstanding matters
Debtors / Liberty Leisure income	 [Green]	Management has submitted the requested evidence and the audit team has raised few minor queries to be addressed
Property, Plant, Equipment and Investment Properties	 [Amber]	The audit team has noted discrepancies between the values reported in the financial statements and the audit evidence provided. Management has agreed to review this balance against the evidence and thereafter submit to the audit team for review.
Whole Government Accounts	 [Green]	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide more information on this matter at page 14.
Audit Quality Control and Completion Procedures	 [Green]	Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations



[Red]  
Likely to result in material adjustment or significant change to disclosures within the financial statements.



[Amber]  
Potential to result in material adjustment or significant change to disclosures within the financial statements.



[Green]  
Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

Section 03:

**Audit approach**



# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £1.240m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £1.080m using the same benchmark

Materiality Threshold	Materiality Threshold	Council	Group
Overall Materiality	Overall Materiality	£1.080	£1,160
Performance Materiality	Performance Materiality	£810	£870
Trivial Threshold	Trivial Threshold	£32	£35

## Reliance on internal audit

As part of our audit, we have not relied on the work of the internal audit however as included in our Audit Strategy Memorandum we have made enquiries with internal audit and reviewed the Director of Internal Audit Report which informed the nature, extent and timing of our audit procedures.

## Use of experts

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

Item of account	Management's expert	Our expert
Property, Plant and Equipment & Investment Properties	<b>Internal valuer</b>  Broxtowe Borough Council	None.  We may utilize third party evidence provided via the NAO to support our challenge of valuation assumptions.
	<b>External valuer</b>  Innes England Lambert Smith Hampton	
Pensions	<b>Barnett Waddingham</b> Actuary for Nottinghamshire Pension Fund (LGPS)	PwC LLP (Consulting actuary appointed by the National Audit Office).
Financial Instrument disclosures	<b>Link Asset Management</b>  Treasury management advisors	None.

## Service organisations

International Auditing Standards (UK) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. In our Audit strategy Memorandum, we reported that we had not identified any service organisations which were relevant to the Council. This is still the case and there are no changes to the planned approach or matters arising to report



# 3. Audit approach

## Group audit approach

We are responsible for the audit of the group consolidation. The Council's consolidated group is made up of the following components:

Group component	Approach adopted	Key points or other matters to report
Broxtowe Borough Council	● [Navy]	None
Liberty Leisure Limited	● [Grey]	Limited scope – The subsidiary is not audited in accordance with Part 16, Section 479 of the Companies Act 2006. We have performed limited audit procedures on material transactions and balance to ensure that the group accounts are not materially misstated.

- [Navy]**

● **Full audit**  
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- [Grey]**

● **Audit of balances and/or disclosures**  
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- [Green]**

● **Specific audit procedures**  
Performance of specific audit procedures on the component's financial information
- [Blue]**

● **Review procedures**  
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



# 04

## Section 04: **Significant findings**

# 4. Significant findings

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

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

## Significant risks

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
	<p><b>Audit conclusion</b></p> <p>During journals testing, we noted that a number of journal posters were posting and reviewing their own journals. We have performed tests of these journal and we were satisfied that these were valid. A control deficiency has been reported in section 5 of this report. There are no other matters that we wish to bring to Members' attention in relation to management override of controls</p>



## 4. Significant findings

Net defined benefit pension liability valuation	Description of the risk
	<p>The defined benefit liability relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary for the scheme to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p>
	<p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area</p>

### To address the risk, we have

- Assessed the competency, objectivity and independence of the Actuary at the Pension Scheme;
- Liaised with the auditors of the Nottingham Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

### Audit observations and conclusion

The audit work is complete, but not without challenges arising from delays and errors caused by third party assurance letters. On 24 November we were informed that there were significant errors in the assurance report provided to us by the auditor of the pension fund and a replacement would be issued. This replacement was sent on 1 December, and only then were we able to perform the necessary audit work on the findings. Through the audit procedures performed we noted a difference in the net liability of approximately £766k, management has made the necessary adjustments and we are satisfied that this balance is fairly stated.

Valuation of land, buildings, council dwellings and investment properties	Description of the risk
	<p>The Council's accounts contain material balances and disclosures relating to its holding of council dwellings, land &amp; buildings and investment properties, with the majority required to be carried at valuation. The valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p>
	<p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>

### To address the risk, we have

- critically assessed the scope of work, qualifications, objectivity and independence of each of the Council's valuers to carry out the required programme of revaluations;
- considered 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;
- assessed whether valuation movements are in line with market expectations by considering valuation trends;
- critically assessed the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and
- considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that values have moved materially over that time.

### Audit observations and conclusion

Through our work, we encountered a number of challenges regarding the valuation process and completeness of information that involved substantial and extensive liaison with both the finance team, in-house valuer and external valuation expert deployed by the Council. A recommendation has been raised on this area for correction prior to the 2022/23 audit commencement.

As included in section 2 of this report, we have not completed our testing on this section. A conclusion will be reported upon conclusion of testing

# 4. Significant findings

## Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting.

Draft accounts were received from the Council on 31 July 2022 and, aside from issues regarding information around asset valuations, were of an acceptable quality.

## Infrastructure Assets

Balance per draft accounts £3.278m

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns have been raised that some authorities are not applying component accounting requirements appropriately. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost.

Normal custom and practice for infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

A temporary solution was put in place via a statutory override with guidance released in January 2023. We asked the Council to review its fixed asset register for infrastructure assets and to ensure suitable records were in place to support the balance, including compliance with relevant accounting standards. Following this review, the Council has opted to apply the statutory override, which in effect requires a change in accounting policy and

change in the disclosures to the financial statements.

## Significant matters discussed with management

- Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.
- Matters arising in the year as a result of Covid and their operational response, including the identification of emerging risks to our work on the financial statements.
- Matters concerning the work performed on group financial statements where we noted that the accounting policy for property, plant and equipment for the two group components differed of which for consolidation purposes the parents’ policies prevail. The subsidiary holds its land and buildings on historical costs basis and for the purposes of consolidations valuations had to be undertaken its assets so that the value is in line with the council’s policy which is holding land and buildings and fair value.

## Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

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



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

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

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0





# 5. Internal control recommendations

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

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

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

Priority ranking	Description	Number of issues
<b>1 (high)</b>	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.	2
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0



# 5. Internal control recommendations

## Inappropriate evidence for PPE – Level 1

### Description of deficiency

During testing of Property, plant and equipment, council dwellings in particular, we were provided audit evidence that did not match the values reported in the accounts. Furthermore, the process followed for revaluing the Council Dwellings was not clear as the external valuer fully inspected few properties included in the beacons however the values from the fully inspected properties were not considered when the fixed asset register and financial statements were produced.

### Potential effects

Material misstatements in the financial statements

### Recommendation

Management must review the work performed by the external experts and ensure that the values submitted by the valuers and included in the financial statements are supported by sufficient and appropriate evidence.

### Management response

Agreed.

This was the first occasion that the Council had utilised external valuers for the purposes of providing valuations to use in the Statement of Accounts. This followed a recommendation from the external auditors in November 2021.

Whilst the new approach has improved the quality of asset valuations in the accounts, it also brought with it risks to established systems and processes. The new arrangement was set up at relatively short notice and, combined with the quick turnaround required to meet statutory deadlines, this has undoubtedly contributed to the issues raised.

It is acknowledged that improvements need to be made with triangulating data and improving data quality. A post-audit review of the PPE valuation process will be completed, in conjunction with the Accountancy and Estates teams, to ensure that the necessary improvements to checks and balances are made.

## No secondary review on journals posted – Level 1

### Description of deficiency

During journals testing, we noted that a number of journal posters were posting and reviewing their own journals.

### Potential effects

Fraudulent journals could be posted which could lead to misstatement in financial statements

### Recommendation

Management should ensure that duties are appropriately segregated and proper review is performed on all journals posted.

### Management response

Agreed.

A journal is an internal transaction which, in itself, does not create a payment to a third party or generate income. Robust budget monitoring and the reconciliation of key control accounts further reduces the risk of journal transactions being incorrectly posted. Any errors can be easily identified and corrected if required.

Whilst it is good practice for management to review and authorise journal entries prepared by others, this has not necessarily been the case for more senior and experienced officers given the need to promptly update the general ledger and prepare the annual accounts.

It is acknowledged that the biggest risk around management override of controls is to not have proper segregation of duties. As such, a review of the controls relating to the processing and approval of journal transfers will be undertaken with any identified improvements being duly actioned.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

# 5. Internal control recommendations

## Declarations not provided by council members – Level 2

### Description of deficiency

When we tested the disclosure of related party transactions, we noted that 4 councillors did not complete declarations. Management provided valid reasons for 2 council members whilst no appropriate reasons were provided for the others.

### Potential effects

The council could unknowingly enter into related party deals which could compromise the fairness of the decision making process. Furthermore, if such arrangements are exposed, objections could follow leading to delays in service delivery and reputational risk for the council.

### Recommendation

Management should ensure that all council members and officers required to complete declarations do so.

### Management response

Agreed.  
Officers will continue in their endeavours to obtain 100% of the annual declarations required from Members and Management in good time. This will require an early and sustained effort for 2022/23 with a number of Members not standing in the forthcoming Borough Council elections.



# 06

Section 06:

**Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £32,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'m)	Cr (£'m)	Dr (£'m)	Cr (£'m)
1	Dr: Loss on disposal of assets Cr: Receivables [Factual error] Income for 22/23 incorrectly recognised in 21/22.	0.061			0.061
2	Dr Accruals Cr Expenditure [Extrapolated error] An over accrual raised incorrectly		0.159	0.159	
2	Dr Income and Expenditure Cr GF Reserve [Extrapolated error] Income relating to 2021 recorded in the current year	0.088			0.088
<b>Total unadjusted misstatements</b>		<b>0.149</b>	<b>0.159</b>	<b>0.159</b>	<b>0.149</b>

Executive summary

Status of audit

Audit approach

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money

Appendices

## 6. Summary of misstatements

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'m)	Cr (£'m)	Dr (£'m)	Cr (£'m)
1	Dr: Group CIES - Income	3.523			
	Cr: Group CIES – Expenditure		3.523		
	[Factual Error] Consolidation elimination omitted from group accounts				
2	Dr: Long Term Borrowing			6.371	
	Cr: Fair Value gains		6.371		
	[Factual error] FV of liabilities has been overstated				
3	Dr: Short Term loan			0.363	
	Cr: Fair value gains		0.363		
	[Factual error] FV of liabilities has been overstated				
4	Dr: Net Pension Liabilities			0.766	
	Cr: Pension Reserve				0.766
	[Factual error]: Misstatement in pension net liability				
<b>Total adjusted misstatements (Sub total)</b>		3.523	10.257	7.500	0.766

Executive summary

Status of audit

Audit approach

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money

Appendices

## 6. Summary of misstatements

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'m)	Cr (£'m)	Dr (£'m)	Cr (£'m)
5.	Dr: Council Dwellings				0.130
	Cr: Income and Expenditure	0.130			
	[Factual error] Overstatement in dwellings				
6.	Dr: PPE (Additions)			2.306	
	Cr: PPE (Derecognition – Other)				2.306
	[Factual error] Understatement of Additions and Impairment in PPE				
5.	Dr: Creditors			0.057	
	Cr: HRA Income		0.057		
	[Factual error] Misstatement in dwellings rent				
<b>Total adjusted misstatements (Sub-total)</b>		<b>0.130</b>	<b>0.057</b>	<b>2.363</b>	<b>2,436</b>
Total adjusted misstatement Total		<b>3.653</b>	<b>10.314</b>	<b>9.863</b>	<b>3.202</b>

Executive summary

Status of audit

Audit approach

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money

Appendices

# 6. Summary of misstatements

## Disclosure amendments

**The following disclosures were noted and amended by the management:**

- 1. Note 33 [Related Party ] – The council had omitted a few disclosures in relation to transactions with related parties. These include transactions with the subsidiary, Liberty Leisure Limited for £1.1m and EM Devco Limited £0.167m.
- 2. Note 5 [Cash and Cash Equivalents] - Prior year value for Other Local incorrectly is disclosed at £8.059m. The correct value is £8.257m
- 3. Note 6 [Creditors] – Prior year value for Other entities and individuals is incorrectly disclosed at £3.414m. The correct value is £3.612m.
- 4. Note 30 [Officers Remuneration] – We noted that the disclosures for bandings and offers remunerations were incorrect.
- 5. Note 39 [Contingent Liabilities] Incomplete disclosure of contingent liabilities. The council to include a tribunal case with a former employee as well as a claim against the client by two employees.
- 6. HRA Note 1 [Housing Stock] – Correction of the disclosure as follows: Houses number to increase to 1,556 and Bungalows number has reduced to 690.
- 7. Removal of contingent asset on sum of £500k due from Nottingham City council and inclusion of non adjusting subsequent event since the value had been agreed post year end that this is receivable by December 2022.





# 07

Section 07:

**Value for Money**

# 7. Value for Money

## Approach to Value for Money

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

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

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

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by the due date which is three months after audit report date..

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report upon due date which is three months after audit report date.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP

Dear Sirs

Broxtowe Borough Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Broxtowe Borough Council (the Council) for the year ended 31 March 2022 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 (the Code) and applicable law.

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

*My responsibility for the financial statements and accounting information*

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

*My responsibility to provide and disclose relevant information*

I have provided you with:

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

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

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

*Accounting records*

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

*Accounting policies*

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

*Accounting estimates, including those measured at fair value*

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

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

*Group Accounts*

I confirm that I have reviewed the accounting transactions of the Council's partnerships and joint ventures and am satisfied that these do not need lead to the need for the Council to prepare group accounts.



# Appendix A: Draft management representation letter

### Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

### Laws and regulations

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

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

### Fraud and error

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

I have disclosed to you:

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

- All knowledge of fraud or suspected fraud affecting the Council involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

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

### Related party transactions

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

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

### Impairment review

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

### Charges on assets

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

### Future commitments

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



# Appendix A: Draft management representation letter

### 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.

### Covid-19

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

### Brexit

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

### Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council's operations from restrictions or sanctions in place.

### Going concern

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

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

### Annual Governance Statement

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

### Narrative report

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

### Unadjusted misstatements

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

Yours faithfully

Deputy Chief Executive



# Appendix B: Draft audit report

## Independent auditor's report to the members of Broxtowe Borough Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Broxtowe Borough Council (the Council) and its subsidiaries (the Group) for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account, the Collection Fund Account, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31<sup>st</sup> March 2022 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 2021/22.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### Conclusions relating to going concern

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

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

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

#### Other information

The Deputy Chief Executive 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.

#### Responsibilities of the Deputy Chief Executive for the financial statements

As explained more fully in the Statement of the Deputy Chief Executives' Responsibilities, the Deputy Chief Executive 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 2021/22, and for being satisfied that they give a true and fair view. The Deputy Chief Executive is also responsible for such internal control as the Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive 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.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

# Appendix B: Draft audit report

## Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

fraud

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

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

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

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

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





# Appendix B: Draft audit report

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

### Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this respect.

### Responsibilities of the Council

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

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

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

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or

- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Use of the audit report

This report is made solely to the members of Broxtowe Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed [tailor the following bullets according to the reason(s) for withholding the certificate]:

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

Mark SurrIDGE, Key Audit Partner  
For and on behalf of Mazars LLP



# Appendix C: Independence

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

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



# Appendix D: Other communications

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



# Appendix D: Other communications

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



# Mark Surridge, Director - Public Services

[Mark.Surridge@mazars.co.uk](mailto:Mark.Surridge@mazars.co.uk)

## **Mazars**

Chamberlain Square

Birmingham

B3 3AX

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

\*where permitted under applicable country laws.