



Audit Completion Report

Broxtowe Borough Council – year ended 31 March 2023

July 2024

Governance, Audit and Standards Committee

Broxtowe Borough Council

Council Offices
Foster Avenue
Beeston
Nottingham

NG9 1AB

01 July 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you in July 2023. We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report 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 mark.surridge@mazars.co.uk

Yours faithfully

Mark Surridge

Forvis Mazars LLP

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01

Executive Summary



Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Valuation of property, plant, equipment and Investment properties
- Management override of controls; and
- Net defined benefit liability valuation.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £768k. 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 2023. 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.

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Status of our audit



Status of our audit

Our audit 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 satisfactory resolution of the outstanding matters set out below.

Whole Government Accounts

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 15.



Audit Quality Control and Completion Procedures

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



Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

03

Audit Approach



Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued in July 2023.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1,370k using a benchmark of 2% of Gross operating expenditure. Based on the final financial statement figures, the final overall materiality we applied was as per the table below:

Materiality Threshold	Percentage	Council '£000'	Group '£000'
Overall Materiality	2%	1,380	1,450
Performance Materiality	75%	1,035	1,088
Trivial Threshold	3%	41	44

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	Internal valuer (Council Dwellings) Jo Beaumont	None We may utilize third party evidence provided via the NAO to support our challenge of valuation assumptions
	External Valuer Lambert Smith Hampton (Beeston Square) Musson Liggins (Other GF Assets)	
Pension	Barnett Waddingham Actuary for Nottinghamshire Pensions Fund (LGPS)	PWC LLP (Consulting actuary appointed by the National Audit Office)
Financial Instruments disclosures	Arlingclose Treasury management advisors	None
Business Rates Appeals Valuation	Inform CPI Ltd	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

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 matters to report
Broxtowe Borough Council	●	As covered by this report
Liberty Leisure Limited	●	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 balances to ensure that the group accounts are not materially misstated

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

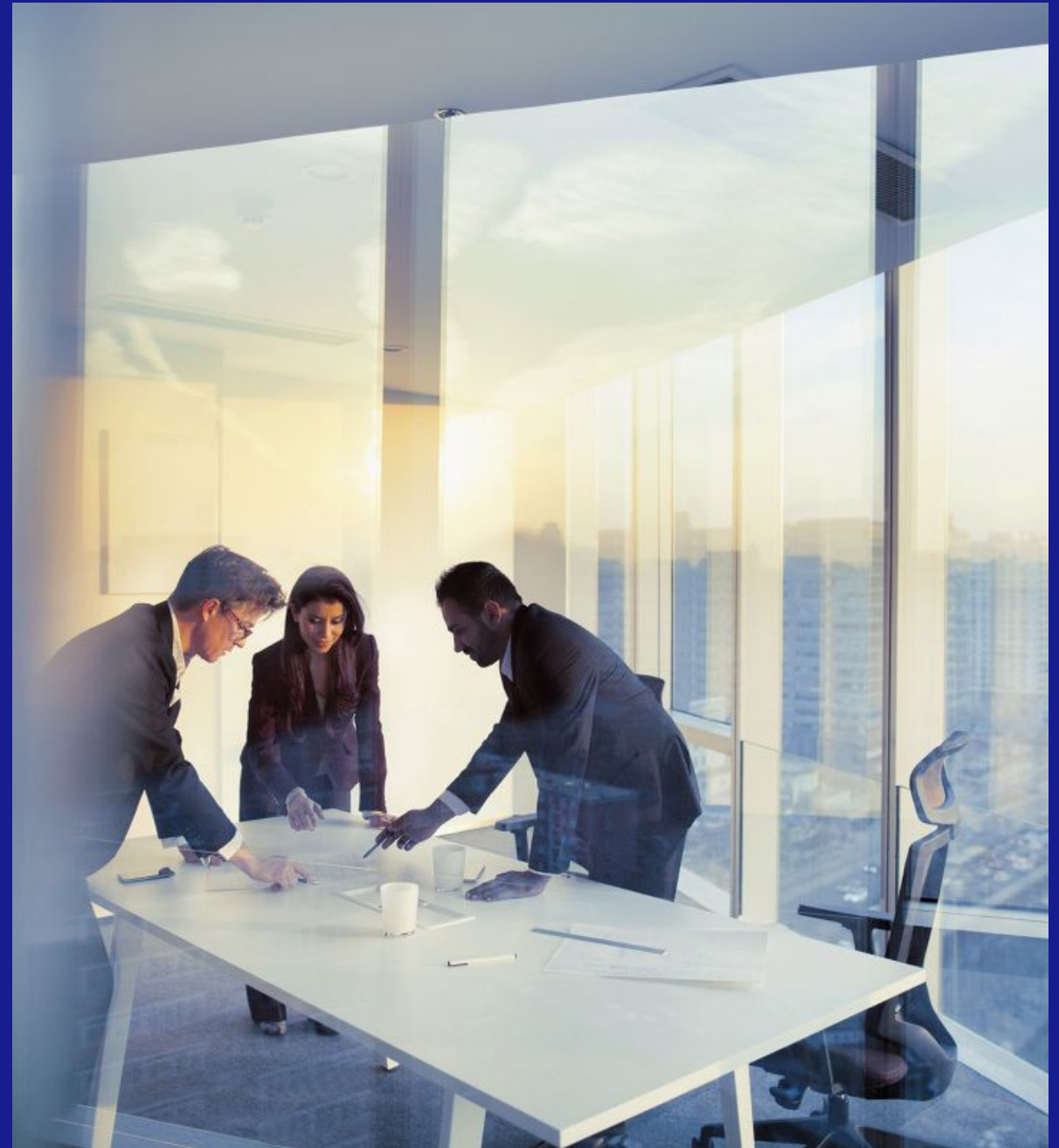
Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

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

04

Significant findings



Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings 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 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

Significant findings

Management Override of Controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

Audit conclusion

We performed our work with no issues being identified leading to errors or misstatements in the financial statements.

Net defined benefit pension liability valuation

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

In relation to the valuation of the Council's pension liability we will:

- Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham;
- Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation to complete and accurate;
- Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office (NAO); and
- Agree 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.

Audit conclusion

There was an overstatement of £12.512m on asset valuation for the whole Pension Fund and this translates to £0.225m for Broxtowe Borough Council. This has been documented as an unadjusted misstatement in section 06 of this report. The misstatement is below our materiality and therefore immaterial to the financial statements as a whole.

Significant findings

Valuation of land, buildings, council dwellings and investments properties

Description of the management judgement

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment 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 significant risk in this area.

How our audit addressed this area of management judgement

In relation to the valuation of property, plant and equipment and assets held for sale we will:

- Critically assess the Council's valuers' scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Consider whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assess whether valuation movement are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends;
- Critically assess 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; and
- Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

Audit conclusion

We performed our work, and we identified control deficiencies in the council's internal controls system. These have been documented on section 05 of this report. A few misstatements have been identified and noted in section 06 of this report. The misstatements are below our materiality and therefore have been assessed to be an immaterial misstatement on the financial statements.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

Examples of significant matters include:

- Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.
- Matters relating to the control deficiencies and the misstatements identified during our testing of the assets valuation and assets management system.
- The correction of misstatements that we identified during our audit testing; these misstatements have been documented on section 06 of this report.

Significant difficulties during the audit

The audit started in October but significantly exceeded the targeted duration. There were some delays experienced in obtaining supporting evidence, mainly with capital accounts, which also included reports from third parties such as the independent property valuers and the Pension Fund auditor. The timing of the extended audit also created issues for the Accountancy team in December and January as officers had to prioritise the Council's budget setting. There was also delays with the availability of auditors to meet the planned timetable.

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 2022/23 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.

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Internal control conclusions



Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to Governance, Audit and Standards Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- A necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Council's internal controls relevant to the preparation of the financial statements 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 Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies in the Council's internal controls that we have identified as at the date of this report are set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Governance, Audit and Standards Committee

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These [will be/ have been] reported to management directly and have been included in this report for your information.

Whether internal control observations merit attention by Governance, Audit and Standards Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

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.	3
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

Internal control conclusions

Significant deficiencies in internal control- Level 1

Description of deficiency

The Council has a policy to revalue assets on a rolling 5 years programme and this is in line with the CIPFA code requirements. We noted that certain assets had not been revalued in the last 6 years, which is contrary to the company's policy of a 5-year rolling revaluation programme.

Potential effects

This could lead to inaccurate financial reporting and potential material misstatement of the Council's asset values.

Recommendation

Broxtowe Borough Council managements should ensure that assets are revalued in line with the CIPFA Code requirement of all assets being revalued within a five-year cycle.

Management response

Agreed. There was an oversight in the established revaluation programme which was attributable to a change in the process, moving from a wholly internal valuation to utilising the services of an independent valuer. The process was also impacted, at the time, by the turnover of key officers.

Going forward there will be early planning of the valuation process for year-end with engagement between the Estates and Finance Services teams to ensure that all programmed asset revaluations are completed effectively and in a timely manner.

Internal control conclusions

Significant deficiencies in internal control – Level 1

Description of deficiency

The council has a five-year rolling programme, for properties not revalued in year the council is required to perform an assessment to ensure that these property values are materially correct. This was not done by the council in the current year.

Potential effects

Asset properties as disclosed in the accounts could be materially misstated

Recommendation

The council should ensure that properties not revalued in year are assessed and are reported at materially correct values.

Management response

The Council has an 'impairment review' process in place which is considered to be sufficient for this purpose and in line with the Code of Practice. Those assets where it is more likely that valuations will fluctuate significantly (such as the commercial units in Beeston Square) are assessed by Estates on a more frequent basis.

It is proposed that for future years an internal desktop valuation of HRA beacon properties will be completed annually. A full revaluation would then be completed by an external valuer every five years.

Internal control conclusions

Significant deficiencies in internal control – Level 1

Description of deficiency

During the testing of related party transactions, we noted a number of declarations were not completed by members.

Potential effects

Material related party transactions could go undetected which would lead to material misstatements in the financial statements.

Recommendation

The council should ensure that all declaration forms are completed on an annual basis. These must be used as a basis to complete the related party note in the accounts.

Management response

Agreed. Officers will continue in their endeavours to obtain 100% of the annual declarations required from Members in good time. This continues to require an early and sustained effort from officers. The support of Members, and their respective political groups, is essential in successfully completing this task.

Internal control conclusions

Other deficiencies in internal control- Level 2

Description of deficiency

During our testing of income and expenditure recorded to the correct financial year, we found a number of transactions which had been recorded in the wrong period. This was also found in our testing of Debtors and creditors testing, meaning inaccurate coding of transactions to the correct financial period has occurred.

Potential effects

This could lead to material misstatements in the financial statements.

Recommendation

The Council should ensure that transactions are recorded to the financial period in which income is earned and expenditure is accrued, ensuring review procedures are in place to ensure that the recognition criteria used is correct.

Management response

Management response – Agreed. The issues raised were mainly linked to service areas which had seen a high level of key officer turnover at budget manager level during the financial year-end period.

The Accountancy team will continue to complete an extensive review of transactions in March and April to identify potential accruals, in addition to processing accruals requests from budget managers.

A review of budget management arrangements and further engagement with service managers throughout the year should help to mitigate the risks in advance of year end. Any potential key risk areas within services will be identified and further resources allocated accordingly.

Internal control conclusions

Significant deficiencies in internal control- Level 2

Description of deficiency

When we tested property, plant and equipment we noted that a number of HRA assets were omitted from the Fixed Asset Register (FAR), we also noted that some discrepancies between the FAR, revaluations schedule, where the revalued Crematorium was revalued but not updated on the FAR, as well as the disclosure on the accounts

Potential effects

The fixed asset register is the primary source of all assets and is supposed to be complete and updated with correct information at all times. Failure to do this could lead to values and other information being incorrectly disclosed in the accounts leading to material misstatements.

Recommendation

The council should ensure that the asset register is updated regularly, with correct and up to date information. Adequate review procedures should be completed prior to completion of account compilation to ensure that the disclosure are in line with supporting evidence.

Management response

Agreed. An exercise will be completed to review and update the fixed asset register to reflect the current status. The late revaluation of the Crematorium has been duly updated in the asset register. In terms of the HRA dwellings, an internal reconciliation of asset numbers and values will be completed by the Finance Services team as part of the financial year-end process. This will provide additional checks and balances of asset records held by Estates, Housing and Finance to ensure that these are consistent.

06

Summary of misstatements



Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £41k. The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued in July 2023, any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Cash received in advance CR: Debtors Overstatement of Debtors [Extrapolated Error]			270	270
DR: Pension Reserve CR: Pension Liability Overstatement in pension assets [Estimated Error]			225	225
DR: Trade Payables CR: Expenditure Overstatement in expenditure for transitions raised in the incorrect period [Extrapolated Error]		231	231	
DR: Property, Plant and Equipment [council dwellings] CR: Depreciation Council Dwellings Incorrect calculation of component depreciation – overstatement [Extrapolated Error]		42	42	
Aggregate effect of unadjusted misstatements		273	768	495

Summary of misstatements

Unadjusted misstatements from Prior Year

Details of adjustment	SOCNE/SOCI		SOPF	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Loss of disposal of assets CR: Receivables Income in 2022/23 incorrectly recognised in 2021/22 [Factual error]	61			61
DR: Accruals CR: Expenditure An over accrual raised incorrectly [Factual error]		159	159	
DR: Income and Expenditure CR: GF Reserve Income relating to 2021 recorded in the current year [Extrapolated error]	88			88
	149	159	159	149

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Those Charged With Governance should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Creditors CR: Debtors Overstatement in creditors and debtors due to 2023/24 income and expenditure recorded in 2022/23 [Factual Error]			215	215
DR: Expenditure CR: Payables Net understatement of expenditure in 2023 (Errors found in cut off in 2023 and 2024) [Factual Error]	241			241
DR: Property, Plant and Equipment CR: Revaluation Reserve Inclusion of Crematorium valuation movement previously omitted [Factual Error]			512	512
Aggregate effect of adjusted misstatements	241	42	834	1,033

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

1. **Note 15 – Revaluations and Other changes** - the value of revalued Other Land and Buildings for 2021 was incorrectly disclosed at £625k and has been corrected to £1,050k
2. **Note 3 - Expenditure and Funding Analysis** - The Net costs services for 2022/23 was not consistent with other areas of the draft accounts due to changes in the 21/22 Pension Fund Accounts which were not updated on this note. This has been subsequently corrected by the council.
3. **Collection Fund Note 3** - There was a mathematical error in the calculation of the number of Dwellings (Band D equivalents) for Band A and B. this has been subsequently corrected by the council
4. **HRA Note 1** - The disclosure of properties has been correctly changed from 4252 to 4355.
5. **HRA Note 4** – Capital expenditure value of £8,621k was understated by £65k as well as capitals receipts financing.
6. **Note 25 Cash flow statement - Investing Activities-** . The council used an incorrect figure in the prior year purchase of PPE of £14,193 instead of £13,243 this has been updated for the prior year.
7. **Note 24 Cash Flow statement – Operating Activities** - The amortisation with a figure of £118k was included as part of Charges for depreciation and impairment of non-current assets, however this it to be disclosed separately. This was also the case on the CAA note.
8. **Note 32 – Related Parties** - A few omissions were noted in the related party disclosure, these included expenditure of £201k transacted with Citizens Advice Bureau and £167k expenditure transacted with EM Development Company. This has been updated in the note.
9. **Note 15 - Property, Plant and Equipment - Revaluations and Other charges** - The Council had included year's 2016 and 2017 which is beyond the 5-year cycle
10. **Note 14 - Financial Instruments - Fair Value Liabilities** – the council had incorrectly understated the fair value of PWLB loans by £74k.
11. The short-term provision note has been disclosed as this is part of the total of as material provisions balance.
12. A disclosure adjustment have been updated by the Council based on initial review of the accounts, including consistency checks, casting, etc.

07

Value for Money



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; and
- **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 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 within 3 months of issuing the audit report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that although 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 within 3 months of issuing the audit report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP

Dear Sirs

Broxtowe Borough Council - audit for year ended 31 March 2023

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 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (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 had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

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

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 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account, 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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. The Deputy Chief Executive is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Appendix B: Draft audit report

Responsibilities of the Deputy Chief Executive for the financial statements

As explained more fully in the Statement of the Deputy Chief Executive 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 2022/23 as amended by the Code Update, 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 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We evaluated the Deputy Chief 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, in particular in relation to list the balances/ classes of transaction where you identified a fraud risk relating to a significant accounting estimate], and significant one-off or unusual transactions

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

- making enquiries of management and the 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.

Appendix B: Draft audit report

We are also required to conclude on whether the Deputy Chief Executive use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 2023.

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 January 2023.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of 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.

Appendix B: Draft audit report

Certificate

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

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

2 Chamberlain Square
Birmingham
B3 3AX

[Date]

Appendix C: Confirmation of our independence

We communicate any matters which we believe may have a bearing on our independence or the objectivity of Mazars LLP and the audit team. 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
<p>Compliance with Laws and Regulations</p>	<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>
<p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<p>Related parties</p>	<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"> 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 b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
<p>Going Concern</p>	<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>Subsequent events</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>Matters related to fraud</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 where appropriate Those Charged with Governance, confirming that</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and 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.

Contact

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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