



**Auditor's Annual Report
Broxtowe Borough Council – year ended 31 March 2025**

12 November 2025 – DRAFT FOR MEMBERS OF THE GOVERNANCE, AUDIT & STANDARDS COMMITTEE

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Broxtowe Borough Council. It has been prepared for the sole use of the Governance, Audit and Standards Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Broxtowe Borough Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We expect to issue our audit report before the end of November 2025. We anticipate issuing an unqualified audit opinion.



Value for Money arrangements At this stage, we have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements. **We have provided a commentary based on our work up to the date of this report. We reserve the right to amend our findings to reflect additional information that is relevant up to the date of issuing our audit opinion on the financial statements.**



Reporting to the group auditor

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.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on [insert date, to be confirmed] gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 20 August 2025 and were of a good quality. The working papers supporting the financial statements were also of good quality and were comprehensive. However, we identified significant deficiencies in capital accounting processes, including issues with asset valuations and reconciliations, which required audit adjustments. These findings highlight weaknesses in internal controls within the capital accounting function.

Significant difficulties during the audit

We have not encountered any significant difficulties and we have had the full co-operation of management.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Position brought forward from 2023/24

We reported in our Annual Auditor's Report for 2023/24, that we had:

- reviewed the 2023/24 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- reviewed the 2024/25 General Fund Budget; and
- reviewed the Council's Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.

There were no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2023/24. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25, with an established set of processes for budget setting, monitoring and financial control, including arrangements for scrutiny, consultation and integration with business plans to produce the annual budget.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2024/25. These confirm the Council fulfilled its responsibility to define its strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

The Council monitors performance by service, integrating finance and performance management to provide a complete overview against Business Plan objectives. We have reviewed reports provided to Cabinet. Our review of reports confirms that Members receive information that adequately explains the main variances to budget on the Housing Revenue Account and the General Fund, and which allows Members to challenge and gain assurance on financial delivery.

2024/25 Budget Setting and the Medium-Term Financial Strategy

We considered the 2024/25 budget setting process, including the Medium-Term Financial Strategy (MTFS) as part of our work on the 2023/24 review of arrangements, with no significant concerns arising:

- we were satisfied that the Budget Report for 2024/25 adequately explained revenue and capital budgets, with a link to specific business units, as well as an explanation of the impact to the general fund balance;

- the Council's budget setting and MTFS is prepared by the Cabinet in line with the Budget and Policy Framework rules, and is then reviewed by the Overview & Scrutiny Committee and approved by the Council. The arrangements in place for budget setting and updating the MTFS are as expected for a District Council, with arrangements for the evaluation of financial risk, alignment to business plans and sources of funding;
- there is no indication of inappropriate use of capital flexibilities to support revenue expenditure. Furthermore, there is no indication that the Council's MTFS and budget setting process is not aligned to supporting plans;
- we reviewed the Council's balanced budget for 2024/25 where it was confirmed that the s151 Officer was satisfied that the budget was appropriately prudent and, if delivered, would leave the Council's General Fund Working Balance at £4.08m by the end of 2024/25, which is above the £1.5m minimum level recommended by the Section 151 Officer and reflects the cumulative impact of financial pressures. we read the Medium-Term Financial Strategy (MTFS) as included in reports to Cabinet and Council in February 2024.
- As in previous years, it covered five financial years. In our view, it includes an appropriate level of detail over the assumptions and cost pressures facing the Council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks. After taking into account all those risks and factors, the general fund reserves balance is estimated to be completely depleted by the end of 2027/28, being the last year in MTFS; The Council is actively reviewing its financial strategy to address this shortfall and ensure long-term sustainability; and
- in both the 2023/24 MTFS and the 2024/25 MTFS, the Council has shown the final year of the MTFS to be the year after which the general fund working balance falls below the Council's acceptable levels. The MTFS is clear that work and action will take place to manage the financial position over the five years to ensure that balances remain above the minimum level, which provides time to develop and implement any actions that are necessary.

2024/25 Financial Statement performance

The Council reported its financial outturn position in the 2024/25 Statement of Accounts. The General Fund outturn was £1.402m under budget, mainly caused by £0.9m underspend on salaries through vacancy savings and £0.8m additional central government grants as compared to original anticipation.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

2024/25 Financial Statement performance (continued)

In 2024/25, the Council spent £31.4m on capital expenditure as per Note 33 of the financial statements. Our testing of these balances did not identify any concerns. Furthermore, there is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council's policy for setting the Minimum Revenue Provision.

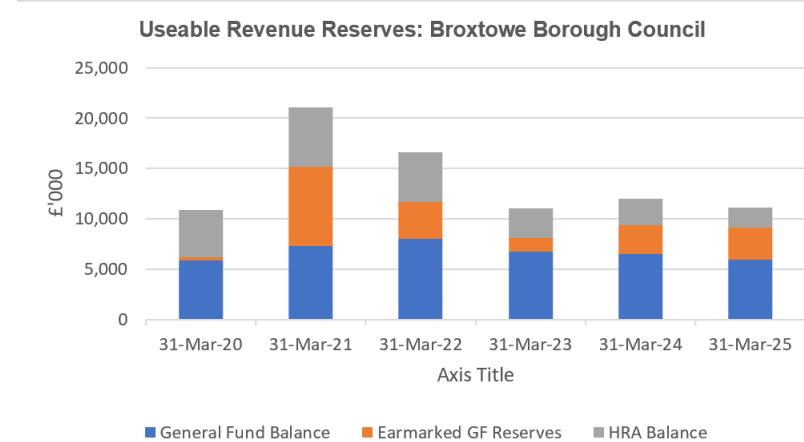
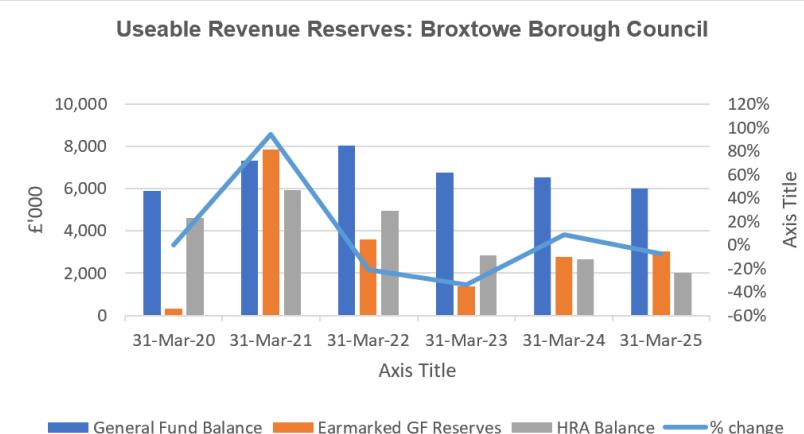
We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. The Council's balance sheet position does not highlight any concerns. The Council's useable reserves have decreased from £18.3m to £15.6m in 2024/25, with:

- the combined General Fund & Earmarked Reserves of £8.6m, down from £8.8m in the prior year;
- A Housing Revenue Account (HRA) Reserve of £2m, down from £2.6m compared to 2023/24; and
- the Capital Receipts Reserve of £4.7m, down from £6.3m in 2023/24 in line with the funding of capital expenditure.

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

Through a review of the financial statements, we have considered the Council's revenue reserves over time as shown in the charts on this page. Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability. It is however, an area of particular focus for the Council to consider as part of its 2025/26 outturn process and to assess the impact on the MTFS for 2026/27 onwards and the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned because the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2025.



VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Position brought forward from 2023/24

There were no indications of a significant weakness in the Council's arrangements for governance brought forward from the previous year and the Council's arrangements in 2024/25 have not significantly changed.

The Council's governance structure

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place throughout 2024/25. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

There have been recent changes in management arrangements following the retirement of the previous Chief Executive. The interim replacement and other changes that have been made as a consequence have utilised existing senior management, ensuring continuity in understanding of the Council and its plans.

2024/25 financial statements

Although the 2024/25 audit of the accounts has gone well overall, we identified a number of deficiencies in disclosures and internal controls. This was in relation to valuations and related capital accounting. These findings have been reported in our Audit Completion Report. Addressing our recommendations needs to be a priority when preparing for the 2025/26 audit.

Risk management and internal control

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation. The Council's Risk Management Strategy was recently revised in July 2025 and it sets out a five-step process for risk management:

- identification;
- analysis;

- treatment;
- completing the risk register; and
- monitoring, reporting and reviewing risk.

The Council's arrangements to execute the Risk Management Strategy include a Strategic Risk Management Group that meets frequently prior to updating the Strategic Risk Register and presenting the outcome to Members. The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. The Governance, Audit & Standards Committee are responsible for review of the Council's Annual Governance Statement. No significant weaknesses in internal control have been identified from our work to date and Internal Audit has not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Internal Audit

We have met with management during the year, reviewed Governance, Audit & Standards Committee reports and attended Committee meetings to observe the reporting by Internal Audit to the Committee. We also confirmed that the Chief Audit and Control Officer's Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

Governance, Audit & Standards Committee

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence.

The Council has an established Governance, Audit & Standards Committee that incorporates the functions of an Audit Committee. We have confirmed that the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. We have attended Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Based on the work, the Committee is adequately serviced and attended by officers as required, and there is evidence of challenge by members of the Committee.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Governance, Audit & Standards Committee (continued)

However, our attendance at committee has identified occasions where discussions have turned to political debate and strayed from the agenda and we would draw attention to the MHCLG published policy paper "Local authority financial reporting and external audit: government response to the independent review" in December 2020, which included a recommendation that "The governance arrangements within local authorities be reviewed by local councils with the purpose of... consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee."

In addition, the Local Government Association's Ten questions for audit committees, sets out that:

"The role of the audit committee is normally to seek assurance that the council's financial reporting, internal controls, governance, and risk management are effective and can be relied upon by councillors and citizens..."

"The audit committee is most effective when it is unencumbered by other tasks, such as scrutiny, 'general purposes' or standards..."

"The audit committee is also independent and, as the matters it deals with are normally apolitical, it should rise above politics. The Chair of Audit needs to ensure that the committee is not used to make political points."

More recently, Government has indicated that it plans to require at least one independent Member for every Audit Committee in the near future, meaning that the Council should start planning for this.

Medium Term Financial Strategy 2025/26

The Council has an established set of arrangements in place for budget setting and control including updating the Medium-Term Financial Strategy (MTFS). The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. We have reviewed the budget setting arrangements through observation and discussions with management and no matters have been identified indicating a significant weakness in arrangements.

An updated MTFS was presented to Cabinet in February 2025 which highlighted a potential shortfall in resources of £7.2m from 2025/26 through to 2028/29. In order to mitigate the effect of the shortfall of resources, the Council annually updates its Business Strategy (November 2024) and uses this to build in efficiencies and additional sources of income. There is no evidence of inappropriate use of one-off means to balance the budget, nor inappropriate assumptions as indicators of a significant weakness in arrangements.

The Business Strategy included proposals to either reduce costs or generate additional income. This approach provides time to develop and implement further measures to address the shortfalls in the medium-term levels of reserves and allow implementation of appropriate measures before reserves are depleted to or below the minimum prudent levels that have been identified.

The Council's financial position, does not present an immediate risk of significant weakness in arrangements, however there is an increasing need to identify, agree and implement a plan to close the widening financial gap.

Local Government Reorganisation (LGR)

In February 2025, the Government wrote to local authorities in Nottinghamshire formally inviting them to submit proposals to create new structures of unitary authorities – which are a single tier of local government responsible for all local services in an area. All nine Nottinghamshire councils collaborated on an interim submission, submitted to Government on 21 March 2025, that outlined three core options:

- A new unitary authority combining Nottingham City, Broxtowe, and Gedling, with a second new unitary authority for the rest of Nottinghamshire;
- A new unitary authority combining Nottingham City, Broxtowe, and Rushcliffe, with a second new unitary authority for the rest of Nottinghamshire; and
- Nottingham City remains a unitary authority, with a new single unitary authority for the rest of Nottinghamshire.

We have held ongoing discussions with management throughout the year as the situation has evolved.

The options that have been taken forward for further consideration are the first two options which combine Broxtowe with Nottingham City. The Council does not currently support either of these options and have made their views known.

Despite this, the Council has acted responsibly and has continued to work with the other authorities impacted by these changes, and management are involved in representing the Council's position as further details are worked through.

We understand that there is an ambitious timetable for implementation in April 2028.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Local Government Reorganisation (LGR) (continued)

The future uncertainty presents a significant challenge for the Council. The Council can only ensure that it continues to act responsibly, continues to deliver its services for local people and performs its other duties until reorganisation is complete, including ensuring it maintains appropriate standards of governance and does not make decisions that impact adversely on any successor organisation, whatever form that takes.

With further announcements on LGR expected in winter 2025, we will consider developments further in our 2025/26 audit, and this is likely to include consideration of potential transition planning risks, including:

- financial risks and sustainability, including transitional costs, plans to bridge budget gaps and the impact to the capital programme;
- Governance and legal complexity, such as asset ownership, contract novation and how the Council is assured over plans;
- workforce planning and retention strategies;
- IT system compatibility, data protection and cyber risk protection; and
- quality of post integration planning.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance for the year ended 31 March 2025.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Position brought forward from 2023/24

There were no indications of a significant weakness in the Council's arrangements brought forward from the previous year.

Corporate Plan

The Council's arrangements are consistent with the prior year, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities through to 2029.

The Corporate Plan for 2024-2029 was approved in 2024 and sets out the Council's priorities to achieve its vision to make "A Greener, Safer and Healthier Broxtowe where everyone prospers." Over the period, the Council will focus on the priorities of Housing, Business Growth, Community Safety, Health and Environment. The Corporate Plan prioritises local community needs and resources are directed toward the things they considered to be the most important. These needs are aligned with other local, regional and national plans to ensure the ambitions set out in the Corporate Plan are realistic and achievable.

We have discussed performance monitoring arrangements with management and reviewed a selection of business plans and monitoring reports. The Council monitors its performance using the Pentana Risk performance management system. Members have been provided with access to the system enabling them to interrogate the system on a 'view only' basis.

Business Plans detail the projects and activities undertaken in support of the Corporate Plan for each priority area. These cover a three-year period and are revised and updated annually. Detailed monitoring of progress against key tasks and outcome measures in the Business Plans is undertaken regularly by the relevant Committee. This includes an annual report where performance management and financial outturn are considered together following the year-end as part of the Council's commitment to closely align financial and performance management.

With the prospect of Local Government Reorganisation (LGR) now looming, the Council will want to ensure that its plans for the Borough, based on its knowledge to the local community, are taken forward as priorities in any new arrangements that are developed.

Regulators / Inspections

Our work has not identified any adverse findings from inspectors leading to any intervention action at the Council.

The Regulator of Social Housing (RSH) put into effect new standards for social housing landlords, designed to protect tenants and improve the service they receive from 1 April 2024. The Council is currently under inspection by the RSH, with the outcomes expected to be published in January 2026.

Partnerships

The Council plays an active part in many partnerships.

The Council is a non-constituent member of the East Midlands Mayoral Combined Authority, following the mayoral election in 2024. The Council's Leader is one of four district councillors representing the other districts in Nottinghamshire and Derbyshire.

The Council has a number of partnerships for the delivery of services which are outlined in the next section.

Local Government Reorganisation (LGR) provides the most significant test for the Council working in partnership going forward, ensuring that the Council's views are properly reflected in the structures of any successor organisation, and the priorities of that organisation, and ensuring that the best outcome is achieved for the residents of Broxtowe.

The fact that the Council does not currently support either of the two options being considered poses a significant challenge, but makes it all the more important that the Council plays its part in what happens next.

Commissioning and procurement

The Council has a number of arrangements in place for commissioning and procuring services including:

- Liberty Leisure Limited – this is the Council's wholly owned company for Leisure Services;
- Bramcote Bereavement Services Joint Committee, with Erewash Borough Council;

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Commissioning and procurement (continued)

- monitoring and maintaining the surveillance camera estate, alongside some other Notts districts.
- a long-established partnership with Ashfield District Council in respect of Business Rates administration; and
- Erewash Borough Council providing Broxtowe's Building Control services. This service also provided to other Nottinghamshire districts during 2024/25 and is managed through a steering group. This arrangement has been reviewed in the light of the Building Safety Act requirements.

For ongoing procurement, the Council utilises the services of Nottingham County Council to manage its procurement activity. The Council has found this beneficial, utilising the wider expertise that can be secured from this arrangement rather than the Council relying on a single in-house Procurement Officer.

The Council continues to deliver significant investment in the borough, including:

- The Stapleford Towns Fund Board oversees the implementation of the Towns fund bid for that area (reporting to Cabinet as required). The Stapleford Towns Fund has a group to keep tight focus on delivery of the projects granted funding by the government;
- The Kimberley Means Business Board met during 2024/25 to oversee the delivery of significant regeneration funding for Kimberley. Delivery meetings took place to discuss individual projects, and key decisions were referred to the Cabinet when required; and
- The Housing Delivery Plan is being implemented and is managed internally through the Housing Delivery Group of cross departmental officers, and reports to Cabinet for key decisions.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness for the year ended 31 March 2025.

04

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did receive some questions from one individual in relation to stock. These questions were more appropriate for the Council to deal with, so officers provided a response to the complainant. No further audit action was required in relation to the issues raised.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. **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.**

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum, dated 7 May 2025 and presented to the Governance, Audit and Standards Committee on 19 May 2025. Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows: **THE ADDITIONAL FEES FOR THE 2024/25 AUDIT ARE STILL TO BE CONFIRMED.**

Area of work	2024/25 fees	2023/24 fees
PSAA Scale fee	£159,380	£144,729
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	-	£9,410
Additional fees in respect of testing of land and buildings, including Council dwelling beacons	To be confirmed	£7,600
Additional testing – group accounts in 2023/24 (in 2024/25 application of revised ISA 600 relating to groups)	To be confirmed	£5,400
Additional work in respect of IFRS16	To be confirmed	-
Total fees	£xxx	£167,139

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

Appendices

Appendix A: Further information on our audit of the Council's financial statements

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

As part of our audit of the Council we identified significant risks to our opinion on the financial statements during our risk assessment. We will update this on completion of our audit of the financial statements.

Risk	Our audit response and findings
Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	Risk satisfactorily addressed. We did not identify any significant issues to report. We did make an internal control recommendation.
Valuation of property, plant and equipment (PPE) The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of Council dwellings and land and buildings. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations.	Risk satisfactorily addressed. We identified significant issues with the Council's valuation processes, and this has resulted in a number of significant internal control recommendations. In addition, a number of material adjustments were required to the Council's draft financial statements.
Defined benefit pension valuation The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Nottinghamshire Pension Fund. The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area. We will also complete audit procedures on the net benefit liability held by Liberty Leisure Ltd.	Risk satisfactorily addressed. We identified an unadjusted misstatement and there are no further matters to report.
Implementation of IFRS 16, Leases (Other key areas of management judgement / enhanced risks) IFRS 16 is applicable from 1 April 2024, designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to account for its lease arrangements in line with this new standard for the first time in the 2024/25 accounts. This requires the Council to re-classify their leases and account for a right of use asset.	Risk satisfactorily addressed. We did not identify any significant issues to report.

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements for the Council

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr. General Fund and Earmarked Reserves					119	
Cr. Capital Adjustments Account						119
Misstatement identified due to incorrect asset lives within its calculation of its MRP charge for the year. This represents an undercharge of MRP.						
Dr. Net pension Liability					143	
Cr. Pensions Reserve						143
The Pension Fund auditor identified an unadjusted difference in asset values during their audit of the Pension Fund. The above is our estimation of the impact on the Council's asset valuations based on the Council's share of Pension Fund assets. This is an understatement of asset values.						
Aggregate effect of unadjusted misstatements			0	0	262	262

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements for the Council

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Brought forward from page 27					262	262
Dr. Revaluation Reserve					371	
Cr. Property, plant and Equipment						371
Error in the valuation methodology utilised by the internal valuer in the valuation of car parks.						
Aggregate effect of unadjusted misstatements			0	0	633	633

Appendix A: Further information on our audit of the Council's financial statements

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Weaknesses in Capital Accounting Processes and Control Framework

Description of deficiency

During the audit, we identified a significant deficiency in the Council's capital accounting processes, evidenced by multiple issues including discrepancies between the Fixed Asset Register and the general ledger, incorrect calculation and posting of asset disposals, failure to clear revaluation reserve balances, misclassification of capital transactions, and inconsistent application of CIPFA Code requirements for statutory adjustments. These weaknesses increase the risk of material misstatement in Property, Plant and Equipment balances and related reserves, and indicate inadequate review controls and reconciliation procedures within the capital accounting function.

Potential effects

Increased risk of material misstatement in PPE balances and reserves due to inadequate controls and non-compliance with CIPFA Code.

Recommendation

The Council should implement robust reconciliations, strengthen review controls ensure appropriate arrangements are in place to produce complex notes in the accounts that are of a high quality.

Management response

Agreed. The Deputy Chief Executive and Section 151 Officer remains satisfied with the competency and technical knowledge of the Accountancy team.

Whilst time was included in the year-end schedule for quality assurance, the late completion of asset valuations compromised the time available to support this review. This will be rectified in the timetable for future years with the earlier scheduling of asset valuations and the associated actions.

A full review of working papers will be undertaken with the aim of improving the quality and consistency of these to provide evidence of the figures included in the financial statements and to support the enquiries from the auditors.

Appendix A: Further information on our audit of the Council's financial statements

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Weaknesses in Asset Valuation Instructions and Review Controls

Description of deficiency

The Council's asset valuation process lacked adequate controls, as instructions to the external valuer of Council dwellings omitted certain beacon assets and the Council failed to identify a significant input error by the external valuer when recording the results of the valuation. This demonstrates insufficient review and validation procedures over valuation data and postings, increasing the risk of material misstatement in Property, Plant and Equipment balances.

There were weaknesses in the processes for the internal valuation of other assets, and there were significant delays in providing the valuation reports including the supporting valuation calculation for individual assets that had been revalued. The Council does not assess whether there is a potential material impact on assets that have not been revalued in the year.

Potential effects

Increased risk of material misstatement in asset valuations due to incomplete instructions and lack of review controls over valuation data.

Recommendation

Strengthen review procedures for valuation inputs and postings, ensure comprehensive instructions to valuers, and implement validation checks before recording valuations. Ensure all valuation reports are in place prior to preparing the accounts. Specifically assess whether there is a potential material misstatement relating to assets not valued in the year, and whether some form of indexation is required between revaluations to avoid potential material misstatements occurring.

Management response

Agreed. The process to complete the required asset valuations and its input into the financial statements fell below the levels expected. The late and incomplete instructions sent to the external valuers and the subsequent delayed receipt of those valuations did not allow time for the level of quality assurance that would have been anticipated.

The future timetable will include the planning of asset valuations much earlier in the process, well before the financial year-end. This will allow the Chief Accountant more time to effectively communicate and formally quality check instructions with the Estates Manager and/or external valuers.

The Estates Manager will then be responsible for ensuring that valuations are completed, as required, and submitted to Finance Services in accordance with agreed timescales. This should provide adequate time for completing working papers and quality checking entries into the accounts and the notes to the financial statements

The comments regarding whether indexation is required between revaluations to avoid potential material misstatements occurring is noted and will be considered further with the Estates Manager for 2025/26.

Appendix A: Further information on our audit of the Council's financial statements

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Minimum Revenue Provision

Description of deficiency

The Council has not fully adhered to its formal MRP Policy. While adopting Option 3 – Asset Life Method under statutory guidance, the asset lives used in MRP calculations do not align with those recorded in the asset register and applied for depreciation. This inconsistency resulted in immaterial misstatements and indicates a need to ensure MRP is calculated in strict accordance with statutory guidance and the CIPFA Code.

In relation to the Housing Revenue Account, the Council has not made a voluntary revenue provision, meaning that the outstanding capital finance requirement relating to the HRA will never be reduced. Making such provision is not a requirement, but it would be prudent.

Potential effects

The MRP charge is not appropriate. In relation to the Housing Revenue Account the Council is not making a prudent voluntary provision to reduce outstanding indebtedness.

Recommendation

Align asset lives used in MRP calculations with those in the asset register and depreciation schedules, and implement a formal review process to ensure strict adherence to the Council's MRP Policy and statutory requirements. The Council should consider whether a prudent voluntary revenue provision is made to reduce HRA indebtedness.

Management response

Agreed. A full review of MRP calculations will be undertaken as part of the budget setting process to ensure compliance and accuracy. The impact is not considered to be material.

In terms of the HRA, there is not a statutory requirement to make prudent provision for the repayment of debt. Whilst no provision has been made to date in respect of the historic debts relating to the Housing Finance reforms in 2012, all new borrowing to support the Council's housing delivery programme do have elements of Voluntary Revenue Provision (VRP) set aside within the business cases for each respective scheme. These are expected to come into effect from 2026/27 and will be kept under review by the Deputy Chief Executive and Section 151 Officer.

Appendix A: Further information on our audit of the Council's financial statements

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Journals Testing

Description of deficiency

During our testing of journals, we identified certain users that had self-authorised journal entries when they should not have. We extended our testing with no issues arising. Additionally, we identified an instance where a user who does not have formal authorisation rights in the system was able to post and self-authorise a journal without any review mechanism in place.

Potential effects

Increased risk of error in the accounts

Recommendation

The Council should refresh authorisation and ledger access rights to ensure access and authorisation are relevant and up-to-date.

Management response

Agreed. A full review of users' access rights to the general ledger, including journal authorisation, has been undertaken and is now scheduled for regular review. The audit matter identified occurred prior to the above review being undertaken and involved junior officers in the Finance Services team self-authorising internal journal transfers. Whilst there was an increased risk of error without the assurances provided by review and authorisation, the risk of financial loss and/or fraud was considered to be low.

Appendix A: Further information on our audit of the Council's financial statements

Follow up on previous year recommendations to the Council

Related Parties

Description of deficiency

During the testing of related party transactions, we noted two missing declarations of interest from Members
A similar control deficiency was reported in our 2022/23 report.

Current year update:

There has been no recurrence of this issue during 2024/25 audit testing.

Potential effects

Whilst there are compensating controls, such as declarations of interest at each committee meeting, related party transactions could go undetected which would lead to disclosure errors in the financial statements.

Recommendation from last year

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.

Employment Contracts

Description of deficiency

During our testing of pay costs, we identified four employees that did not have a signed contract of employment on file.

Current year update:

We came across the same issue during 2024/25 and the Council was unable to provide the signed employment contracts.

Potential effects

There is a risk of incorrect terms or conditions being applied.

Recommendation from last year

The Council should conduct a risk-based review of employment contracts to ensure signed copies are retained in personnel files.

Management Response

Agreed. A new process has been implemented with a transactional record maintained of each new contract being produced, signed and returned. For new starters, any contract that has not been returned will be signed in person as part of employee induction process.

All but one of the cases identified in the audit are historical and therefore had not been collected as part of the new process. The one exception related to a contract for an existing employee who has recently moved onto new 'compressed hours' which did not have an impact in terms of pay or budget. Finance Services will continue to liaise with the Human Resources and Payroll teams to evaluate the extent of work required and the associated risks to the Council.

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