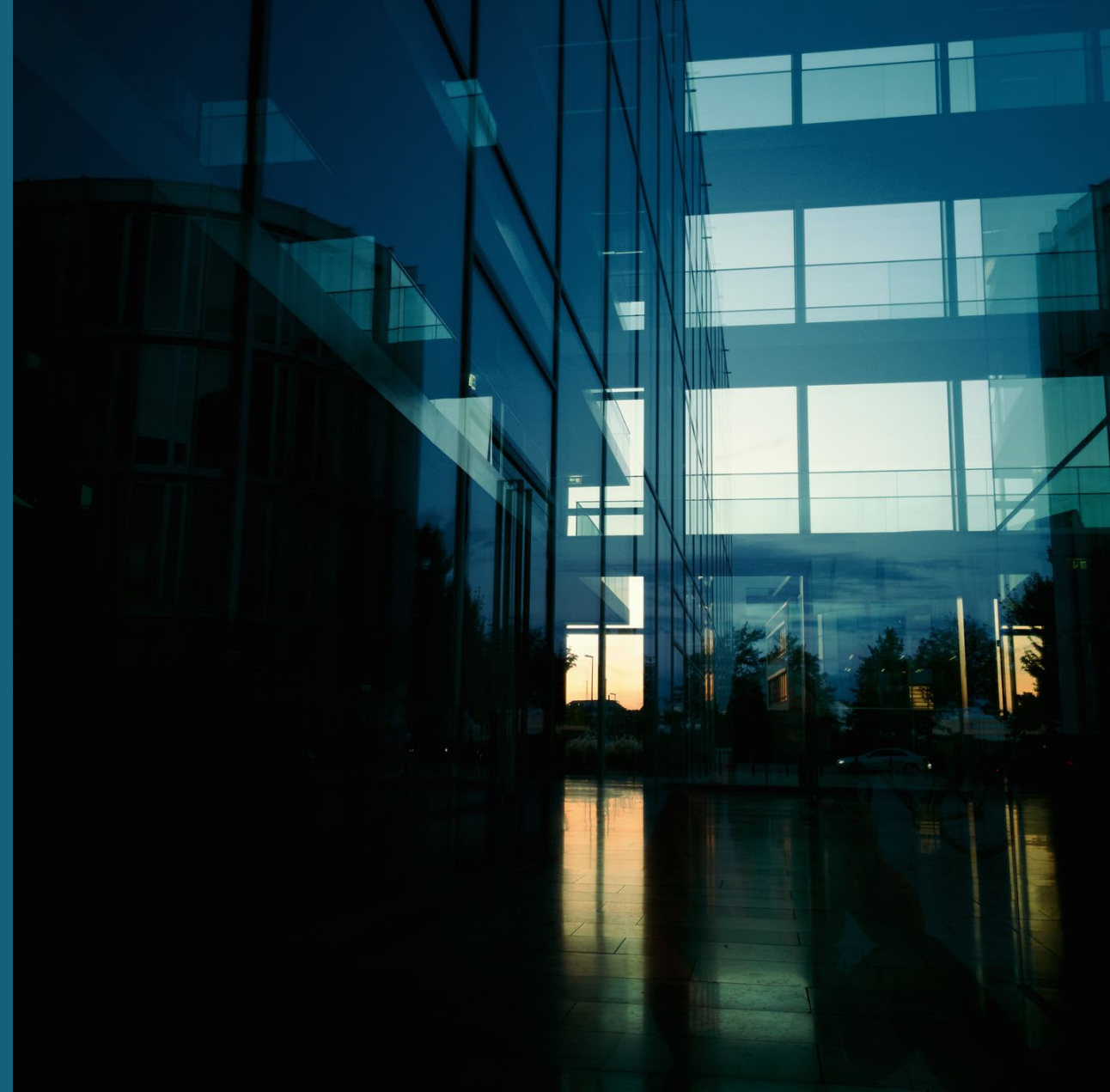


Auditor's Annual Report

North East Derbyshire District Council –
year ended 31 March 2023

May 2024



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North East Derbyshire District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



Opinion on the financial statements

Our audit report, to be issued 17 May 2024 is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

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



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

In line with group audit instructions issued by the NAO, on 27 September 2023 we completed our work on the Council's Whole of Government Accounts return and reported to the group auditor in line with their instructions. The Group Instructions state that the NAO may request further work from auditors on a sample of WGA bodies at a later date. Until the NAO confirms that it does not require any further work from us on the Council's WGA return, we are unable to complete the audit. When the NAO provides this confirmation we will issue our audit certificate for 2022/23.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 08 April 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

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

Qualitative aspects of the Council's accounting practices

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 in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022,

Draft accounts were received from the Council on 30 May 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management

Treatment of Agency Grants

The Code stipulates that an authority is acting as an agent in situations or circumstances "where the authority is acting as an intermediary". It is acting as a principal in situations or circumstances "where the authority is acting on its own behalf". Our testing identified the council had received a grant from Government where the arrangement meant it was acting as an intermediary and, therefore, an agent. This grant was recorded in the council's accounts as if the council were the principal. This treatment resulted in overstatement in both income and expenditure in the Comprehensive Income and Expenditure Statement. This misstatement has been corrected by management.

Reinforced Autoclaved Aerated Concrete (RAAC)

Safety concerns relating to the use of RAAC have been widely reported and local authorities have been required to assess their asset portfolio. We have considered the Council's response to the RAAC issue and considered its conclusion that there was no requirement for a provision or impairment in its 2022/23 accounts. We have considered the Council's assessment and consider it appropriate, based on the information provided by management.

Movements in accounts

Capital commitments - Management had disclosed an immaterial value of £0.2m as the council's capital commitments. We subsequently made enquiries regarding the completeness of this note based on the fact that the council has material construction projects that are incomplete, and it would be expected that contracts are in place for completion, therefore capital commitments would exist.

Reclassification in PPE note - Another enquiry was made to management regarding the reclassification line in the PPE note which had a balance of £4.1m as based on the nature of the line this would ordinarily net to zero, unless a suitable explanation exists.

The changes are as follows:

Capital commitments have increased to £23.1m

The reclassification line has been reduced by £3.3m in the PPE note and as a result the additions in the same note have been adjusted by this value.

These adjustments above have been received by the audit team and were found to be appropriate

Significant difficulties during the audit

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

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;
- make an application for judicial review; 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.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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


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

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

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

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

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

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2021/22. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and Committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including regular reporting to Members. On the 22 January 2023 the Council presented the Medium Term Financial Plan (MTFP) to the cabinet which showed a balanced budget for 2022/23. In its MTFP, the Council projected deficits to be funded by reserves, as follows:

Year / £m	2022/23	2023/24	2024/25	2025/26
Planned Budget (Surplus) / Shortfall before council tax	(0.302m)	0.691m	0.773m	0.831
Council tax increase	0.160m	0.282	0.406	0.532
Contribution (to) or from Reserves	(0.462m)	0.409	0.327	0.299

The Council's arrangements for budget monitoring remain appropriate and include quarterly reporting to Members and well-established arrangements for year-end financial reporting. In January 2022, the council presented a balanced budget for 2023. The 2023 original budget reflected a shortfall on £0.111m, the council identified efficiencies to mitigate the deficit through vacancy management, digital transformation and income

generated from council tax increase. With these efficiency's and income the council thereafter projected a surplus of £0.462m. This has been transferred into the resilience reserve to support future budgets.

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

The Council's report refers to the limitations caused by delays in the local government funding reform which has made estimation a lot more uncertain for councils. For the 2022/23 budget the council has taken into account pay awards, inflationary increases in expenses such as energy costs, fuel, etc. The council has also taken into account changes to fees and charges as agreed by members.

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

2022/23 Statement of Financial Position and financial outturn

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

- We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement. The Council's usable reserves have increased by £3.678m from £66.216m to £69.894m in 2022/23, with:
 - General Fund & Earmarked Reserves of £23.272m, up from £22.569m in the prior year
 - Housing Revenue Account Reserve of £34.831m, down from £37.549m in 2021/22
 - Capital Reserves of £11.791m, up from £6.053m in 2021/22.

There was no significant unplanned use of reserves in 2022/23.

VFM arrangements – Financial Sustainability

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

Our work to date has not highlighted any risks of significant weakness in arrangements or indicators of an immediate risk to the Council's financial sustainability. However, the use of reserves to bridge the MTFP cannot be a long-term solution and the Council will need to evaluate how either savings or income generation activity can support spending plans.

We have further reviewed the Council's outturn reports 2022/23

£m	Budget	Outturn	Variance
Net Cost of Services	12.953	12.377	0.576
Net Cost of HRA Services	10.124	9.543	0.581

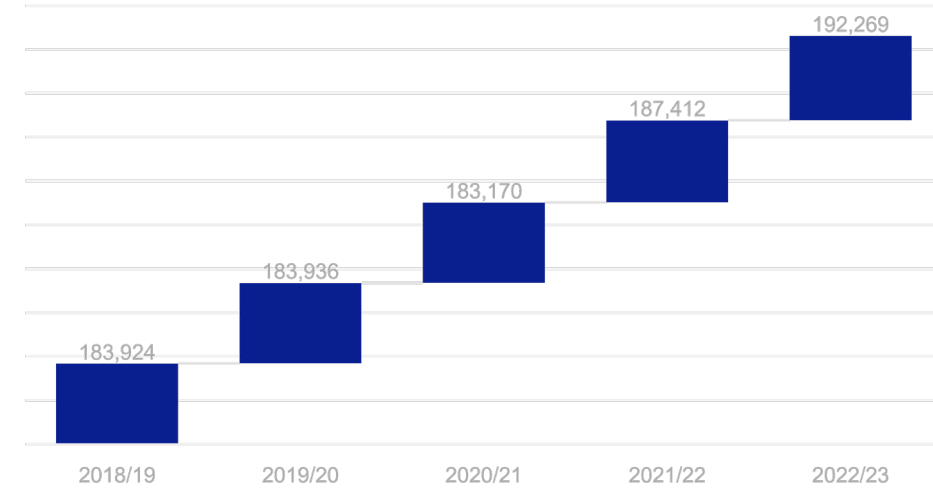
The variance in cost of services was mainly made up of savings in pay costs whilst the positive outturn in HRA cost of services is due to a rental increase of 4.1% in the 2022.

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

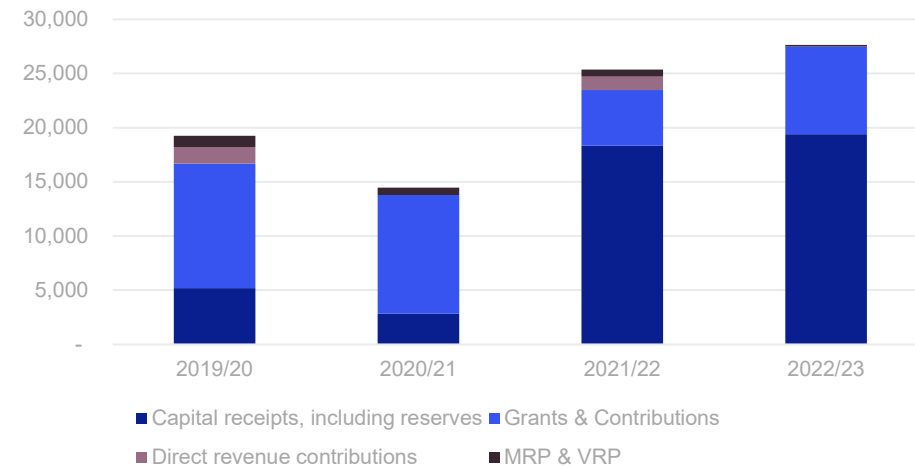
The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we did not identify evidence of a weakness in arrangements. We considered the Council's capital financing requirement as set out in Note 37 of the financial statements. This has risen from £183.924m in 2018/19 to £192.269m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.

Capital financing requirement
£'000



Sources of capital finance
£'000



VFM arrangements – Financial Sustainability

The Council's capital expenditure and financing (continued)

In 2022/23, the Council spent £25.949m on capital additions and £3.315m of REFCUS. Our testing of these balances did not identify any material issues.

The council's Minimum Revenue Provision (MRP) for the 2022/23 financial year is £0.146m. The Capital Financing Requirement (CFR) for 2022/23 is £192.269m (including Housing Revenue Account at £171.346m). The MRP falls below 2% of the Capital Financing Requirement. This works out to approximately 0.7% if Housing Revenue Account CFR is excluded.

We have reviewed the Council's MRP policy which states that for capital expenditure on loans to third parties there will be nil MRP charged. The capital receipts arising from the principal repayments on these loans will be used to reduce the CFR instead. In 2022/23 the council received £0.264, from RHL which reduced the CFR as per the policy. No repayments were received from NGL, which is in line with agreed payment schedules. We understand repayments are expected in 2023/24. These balances are currently c.£15.2m of the CFR (i.e. £6.501m for Rykneld Homes Ltd and £8.708m for Northwood Limited). When the loans balance is excluded, the General Fund CFR is £5.723m meaning the £0.146m charged in 2022/23 is 2.5% with an average charge term of approximately 40 years. MRP for 2023/24 financial year was detailed in the Annual MRP Statement which was approved by the full Council in January 2023. Similar approval was made in January 2024 for the 2024/25 financial year.

The loan repayments from RHL amounting £0.264m are received annually whilst Northwood repayments started in 2023/24. It is expected following the sale of the Northwood joint venture that full repayment of the loans will be made by 2025/26.

The loans made to RHL are used to build social houses whilst the loan to Northwood is for regeneration of land within the district and building properties, including properties for social rent.

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

There are expected changes to the framework in setting the MRP, as a result, we expect that the Audit and Governance Committee will receive a briefing paper on the outcome of the consultation and an explanation of the consequences on the Council's current policy. As noted above the MRP Policy is reviewed and approved by Cabinet and Council on an annual basis. We will continue to monitor the Council's MRP arrangements in our

future VFM work.

Northwood Group Limited

The council had in place a joint venture with Woodhead Regeneration Limited (WRL), Northwood Group Limited (NGL). In the 2022/23 financial year the main construction contractor to NGL went into liquidation and ceased to trade. The Council loans with NGL were secured against the assets of NGL and the Council had first rights to these assets. The impact to the council following the liquidation of the contractor was to its cashflow given loans of approximately £8m of the council's funds that were held by the joint venture. As such the council was losing potential income on the loaned cash.

The council obtained legal and commercial advice on how to best move forward in relation to NGL and its developments to ensure the Council's assets were protected. In 2023 the Council agreed to sell NGL to an independent developer. Consequently the Council's share in the NGL joint venture has ceased. A repayment programme has been agreed which will ensure the Council loans, including interest, and sale of the development land is repaid in full. Through review of the minutes of meetings, other relevant documents, and discussions with officers on this subject, we have not identified any evidence of a significant weakness in arrangements for the year ended 31 March 2023. Based on the current arrangement there is no evidence the council will suffer any significant financial loss as a result of the loans invested in NGL and interest due from those loans. We will continue to monitor this arrangement in our future VFM work.

Overall, based on our completed work we have not identified evidence of a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

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

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year.

The Council's governance structure

We have confirmed the Council has established governance arrangements in place and these are consistent with previous years. 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 and identified no apparent inconsistencies.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council. A Committee structure is in place and is detailed in the Constitution. The Constitution have four values that underpin what the council does and four aims that help the council deliver their long term vision which are documented as follows:

Values

- Honest, open and accountable;
- Treat everyone fairly and with respect;
- Listen, involve and respond; and
- Embrace change and innovation.

Aims

- Enhancing our residents' quality of life;
- Protecting and promoting the character of our district;
- Delivering high quality cost-effective services by engaging with our residents, our partners and our staff; and
- Growing our local economy and being a business friendly district

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the Council's approach to managing risk, guidance, the Council's risk appetite and roles and responsibilities for risk management.

The Governance and Standards Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, and challenging risk information. We confirmed through review of minutes that the Committee is presented with the risk register on a regular basis and provides challenge as part of the process. The Corporate Leadership Team consider the Committee's minutes and summary reports and then determine appropriate risk appetite, risks and opportunities. These arrangements are consistent with what we would expect at a local authority.

We have reviewed the risk registers and confirmed they are reviewed regularly, with each strategic risk identified being assigned a responsible person. This ensures there is control and accountability for each risk. The risks have target dates attached to them and responsible individuals provide an update on a regular basis to the Audit and Corporate Governance Scrutiny Committee

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

Internal Control

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

We considered the role of Internal Audit, which is provided by an Internal Audit Consortium. Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The main reason for the audit work is to ensure that internal controls are working effectively. The planned work is detailed in an annual audit plan. The plan is agreed with management at the start of the financial year and is reviewed and approved by the Audit and Corporate Governance Scrutiny Committee.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

We have reviewed minutes, reports and attended committee meetings to confirm that Internal Audit progress reports are presented to each Audit and Corporate Governance Scrutiny Committee meeting. The reports include follow up reporting on recommendations from previous Internal Audit reports. This allows the Committee to effectively hold management to account.

At the end of each financial year the Head of Internal Consortium (HOIC) provides an Annual Report including an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework based on the work completed during the year. For the 2022/23 financial year, the HOIC provided 'reasonable assurance' on the 'overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2022/23'. We have reviewed the HOIC report and confirmed this was appropriately reflected in the Council's Annual Governance Statement.

We have attended Audit and Governance Committee meetings throughout the year and reviewed supporting documents. We have identified no evidence of a weakness in arrangements. The programme of work for the Committee is appropriate for the Council's requirements. Our attendance at these meetings has confirmed there continues to be an appropriate level of challenge from Members.

We made specific enquiries of management and internal audit regarding fraud and corruption. No significant matters have been brought to our attention to indicate a weakness in arrangements.

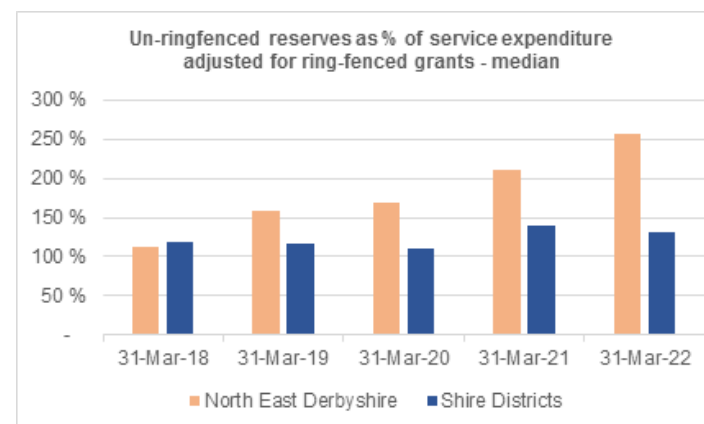
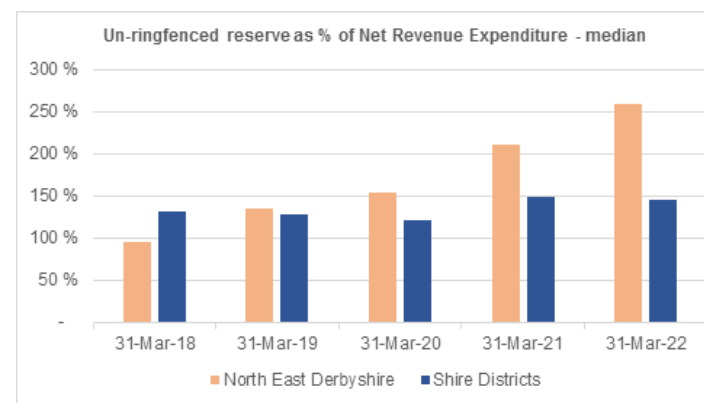
2023/24 Budget setting and the Medium-Term Financial Plan (MTFP)

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years. Our review is supported by discussions with officers during the year and experience from prior year audits. We have reviewed the report to Cabinet in January 2023, where a balanced budget was set for the year 2023/24. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable given available information at the time of preparing the budget. The table below reproduces the MTFP table:

	2023/24	2024/25	2025/26	2026/27
Total General fund shortfall before Council Tax	0.977	0.498	1.923	2.069
Indicative Council Tax Increase	-0.193	-0.386	-0.524	-0.642
Transfers from Resilience Fund	0.784	0.112	-1.409	-1.427

Financial Sustainability and Revenue Reserves

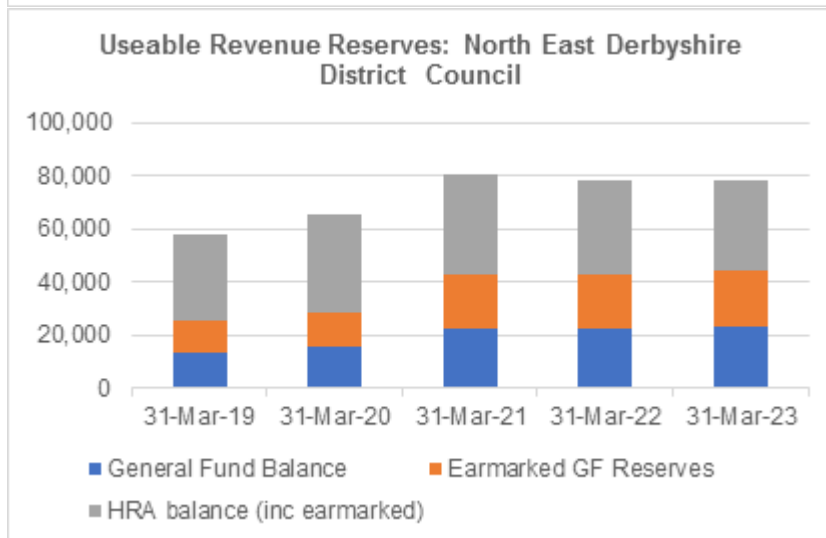
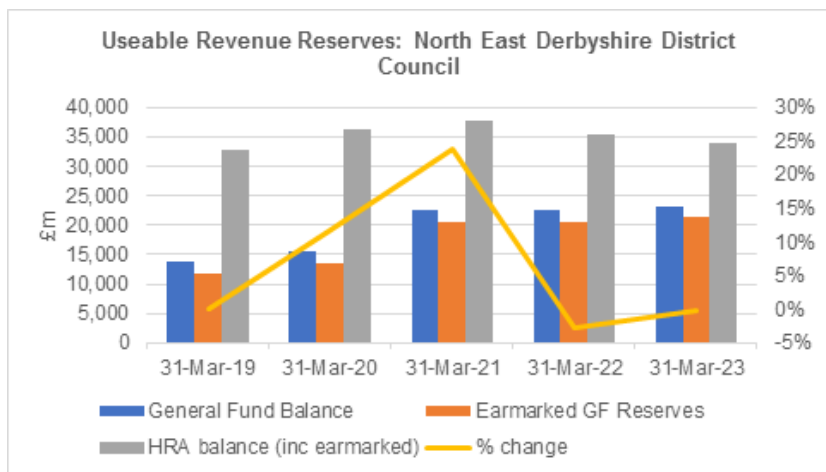
We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to shire districts since 2018. We have also reviewed the movement in reserves up to the 31 March 2023 and noted that this has not moved significantly and given there has been an upward movement, we assume that the Council's reserves continue to be above the median:



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Financial Sustainability and Revenue Reserves



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 (see tables alongside).

As set out on the previous page, the Council's revenue reserves are above the median for district councils.

The Council's un-ringfenced reserves show a steady increase over the years since 2017/18. This indicates the council has strong reserves and that these would be able to mitigate financial risks that the Council may face in the short term.

We considered the reasonableness of the 2023/24 budget by reviewing the most recent outturn report presented to Cabinet in January 2024. This did not indicate a significant variance in forecast outturn to indicate a weakness in the 2023/24 budget setting. The council's most recent MTFP reflects a shortfall of £0.100m in 2024/25 which is materially in line with the initially projected shortfall of £0.112 in the January 2023 meeting.

Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage through savings programmes in future budgets. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. Use of reserves cannot be relied on to provide a long-term solution to funding gaps. Our work has not highlighted either a risk of or actual significant weakness in the Council's arrangements for ensuring financial planning and governance.

Based on our work we have not identified evidence to indicate a significant weakness in the Councils governance arrangements.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

Position brought forward from 2021/22

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

Council Plan and performance monitoring

The council has a council plan which sets out its four strategic priorities. The vision is for the district to be a place that is 'clean and attractive, a place where people are proud to live and work, where they will prosper and are safe, happy and healthy'. The priorities are as follows:

- Economy - Creating a business-friendly District that develops skills and jobs
- Residents – Enhancing the District residents' quality of life
- Environment - Protecting our promoting the character of the District
- Delivering high-quality, cost-effective services by engaging with residents, partners and Council staff

The Council has in place a performance management framework built around its priorities. The framework includes identified responsibilities of managers and processes for regular performance reporting and, where required, corrective action to achieve the strategic priorities. Portfolio Holders meet regularly with Assistant Directors and Directors to discuss, amongst other things, the performance of services against targets. We confirmed through minutes review there is quarterly reporting to the Audit and Corporate Governance Scrutiny Committee and the Executive. These quarterly reports take the form of a dashboard and identify whether the performance has been achieved or is on/off track. The quarterly reports include an appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance. Based on review of minutes there is evidence of scrutiny. No issues have been reported by the Head of internal Auditor that would give rise to suspicions that there may be performance issues.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the

Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council activities for the financial year. We reviewed the Report and identified no evidence of a material inconsistency.

We have reviewed quarter 4 monitoring report and we have noted that the council met 88% of its performance targets in the 2022/23 financial year. We have reviewed the failed in targets and have not identified evidence to indicate a significant weaknesses in the Council's arrangements.

There has been minimum changes in the council's partnership arrangements. Services which had previously been shared with Bolsover District Council have been brought back in house. This was a decision made for the benefit of both entities.

The Council's social housing is managed by Rykneld Homes (RHL). We have confirmed there is regular monitoring and reporting of RHL. Based on review of minutes, discussions with officers and attending Audit Committee meetings we have identified no evidence of a significant weakness in arrangements.

The council's partnership with WRL has been detailed on page 14 of this report.

We have confirmed the Council continues to have in place arrangements for standing financial instructions, purchase order controls and our work on the financial statements. We have identified no evidence of a significant internal control deficiencies regarding purchasing controls.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Clay Cross Town Deal

On the 3rd March 2021, government announced that Clay Cross would receive £24.1m of funding to deliver a number of projects contained in the Clay Cross Town Investment Plan. The Council is the Accountable Body for the Clay Cross Town Deal. Amounts associated with the Deal are included in the 2022/23 financial statements. Our audit procedures have not identified any evidence to indicate a significant weakness in arrangements. The investment plan would be focused on three main areas, which are:

- Urban Regeneration – ensuring Clay Cross and town centre is a thriving place for people to live and work;
- Skills and Infrastructure – supporting investment and the development of small business, creating opportunities for skills and training;
- Connectivity – improving local transport links and improved digital connectivity.

A Clay Cross Town Deal Board has been formed. This board serves as an advisory function and will be the vehicle through which the vision and strategy for the Town will be defined. The board has developed a Town Investment Plan, which will inform the Town Deal proposals and include the amount of investment to be secured through the Towns Fund. The role of the Town Deal Board is to:

- Develop and agree an evidence-based Town Investment Plan
- Develop a clear programme of interventions
- Co-ordinate resources and influence stakeholders

We have reviewed minutes of the Clay Cross Town Deal Board meeting held in December 2023. We confirmed a detailed report was provided to the Board which set out the milestones achieved towards delivery as well as a update on matters not yet achieved. The report states the status of the project and whether these are still on target to be met on planned dates.

Through review of the update documents and minutes we confirmed there is regular monitoring and reporting on this major project. We have identified no evidence of a significant weakness in arrangements regarding the council's decision making and oversight of the project.

Based on our we work we have not identified any evidence of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

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

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in July 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follow:

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	43,510	53,206
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	9,400	Included in scale fee
Subtotal	52,910	53,206
Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates)	3,590	3,590
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	-	5,508
Additional costs as a result of additional testing (Prior Period Error - Group PPE)	4,080	-
Technical Accounting Issues: additional costs arising from IFRIC 14 and Pension Asset Ceiling	-	2,536
Additional fees in respect of Group Accounts	2,530	5,768
Additional fees in relation to the VFM Commentary	7,000	8,005
Total fees	70,110	78,611

Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £5,500. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

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

Risk	How we addressed the risk	Audit Conclusion
<p><u>Management Override of Controls</u></p> <p>In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements • consideration of identified significant transactions outside the normal course of business • journals recorded in the general ledger and other adjustments made in preparation of the financial statements 	<p>There were no significant issues arising from the work performed.</p>
<p><u>Net defined benefit liability valuation</u></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary • liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate • reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information supplied by PWC, the consulting actuary engaged by the National Audit Office • agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements • considering the impact of IFRIC14 regarding pension fund surpluses 	<p>We identified an error, below our material threshold, as a result of a misstatement in the asset value of the pension fund administered by Derbyshire Pension Fund but overall were satisfied that the work performed provided the assurances we sought.</p>

A. Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	How we addressed the risk	Audit Conclusion
<p><u>Valuation of Dwellings, Land & Buildings and Investment Property</u></p> <p>The Council's accounts contains 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 had determined there is significant risk in this area.</p> <p>As part of our testing we tested the valuations of dwellings held by Rykneld Homes Limited</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers 	<p>There were no significant issues arising from the work performed.</p>

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

We reported one unadjusted misstatement identified during the course of the audit.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	DR	CR	DR	CR
Dr Pension Liability			221	
Cr Pension Reserve				221
<p>The Pension Fund auditors had identified a 0.18% difference (increased) between the estimated 2022/23 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2022/23 Fund financial statements being audited. Based on this, we calculated the misstatements based on the council's share of the asset value and the calculated misstatement is £221k</p>				

A. Further information on our audit of the financial statements

Summary of internal control recommendations

Our audit reported one internal control recommendation. This recommendation was accepted by management.

Significant deficiencies in internal control – Level 2

Description of deficiency - Members have not completed declaration of interest

As part of our testing of related party disclosures in the accounts, we reviewed declaration forms completed by members and officers. Through this testing we noted that 19 members had not completed these forms.

Potential effects

Related party transactions could go undetected which may result in disclosure misstatements in the accounts.

Recommendation

All members should complete declaration of interest forms.

Management response

We recognise that related party disclosures were not returned by all elected members. The related party disclosures were issued to all elected members on 31 March and being conscious that there was a local election in May, we issued three subsequent reminders during April. A large proportion of those which have not been returned are from elected members who were subsequently not elected. We will review our processes in this regard ahead of the 2023/24 close down.

James Collins – Director

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

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