



Auditor's Annual Report
Bassetlaw District Council – year ended 31 March 2023

January 2025

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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 Bassetlaw 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

We issued our audit report on 12 December 2024. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



Wider reporting responsibilities

The NAO has confirmed no further requirements on the Whole of Government Accounts for 2022/23.



Value for Money arrangements

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

Following the completion of our work we have issued our audit certificate which formally closes the audit for the 2022/23 financial year. In the audit certificate we included reference to the significant weaknesses identified and a summary of our recommendations since we issued our audit report.

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Audit of the financial statements

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. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2022/23 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 12 December 2024, we have not expressed an opinion on the Council's financial statements.

We were required to report to management and those charged with governance significant risks identified at the planning stage of our audit, uncorrected misstatements that we identified and any control deficiencies which came to our attention as part of the audit procedures we completed prior to issuing our audit report. The matters we reported are summarised in Appendix A.

Significant difficulties during the audit

We are required to disclose significant difficulties relating to the Council's financial reporting arrangements which contributed to the decision to issue a disclaimed opinion. As noted in our Audit Completion Report this included delays in producing a revised version draft accounts due to errors noted in the 2021/22 audited accounts and material errors noted in the Group Financial Statements.

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 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.

We outline the risks that we have identified and the work we have done to address those risks on page 21.

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 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.

VFM arrangements – Overall summary

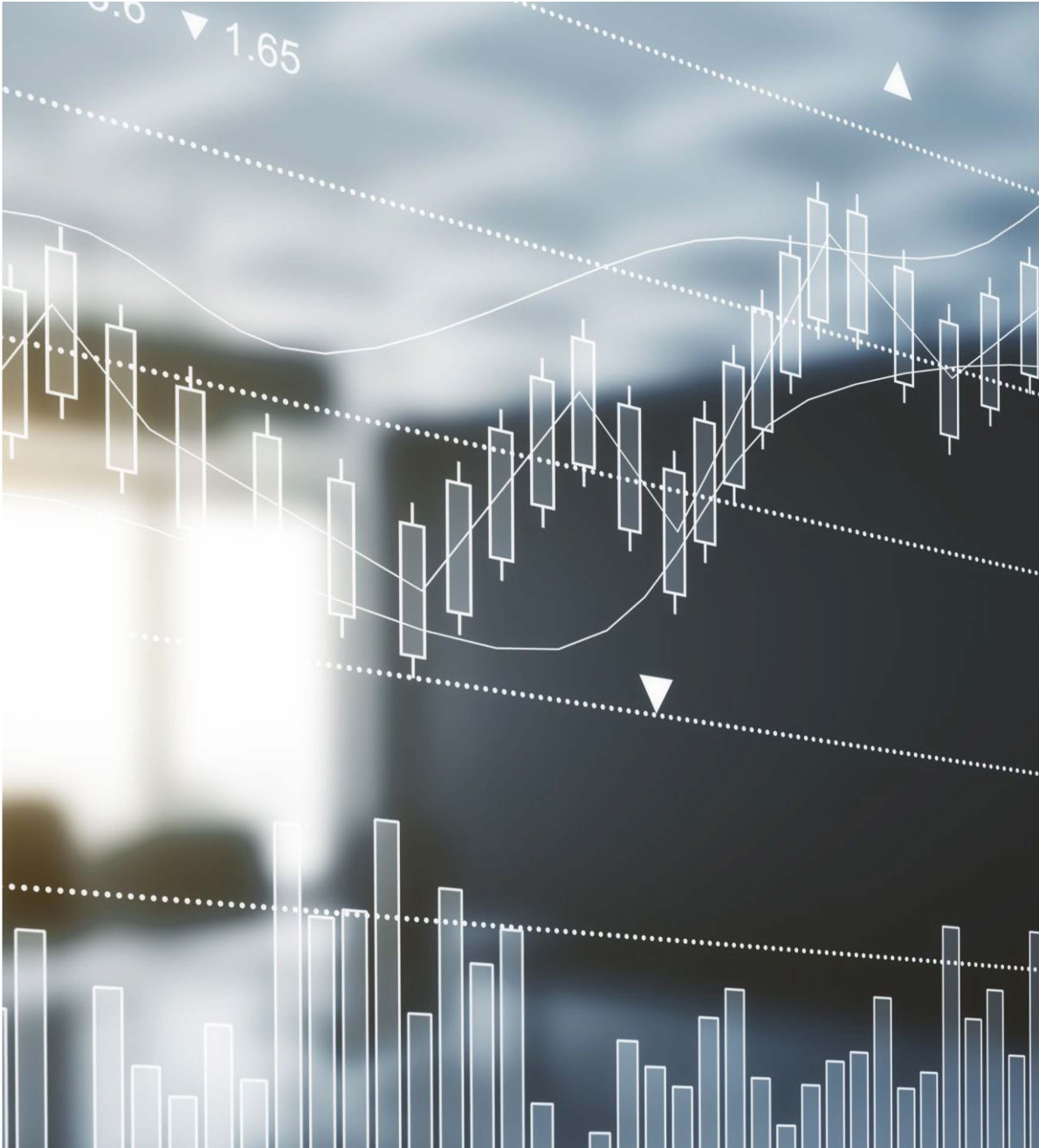
Overall summary by reporting criteria

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	Yes – (continuation of prior year matter) see risk on page 21	Yes – see recommendation on page 21	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 Financial Sustainability

The Council's financial planning and monitoring arrangements

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.

We have reviewed Council reports and corresponded with officers to understand the Council's arrangements, this includes the 2022/23 outturn report, 2023/24 and the 2024/25 Medium-Term Financial Plan, and minutes of Cabinet and the Audit Committee.

The Council provides a medium-term financial plan to Cabinet each year, setting out the Council's high level financial plans. Each year the Council undertakes a zero-based budgeting process reviewing specific discretionary budgets that are subject to justification prior to being rolled forward. Heads of Service are asked to consider any significant financial changes in service requirements over the medium term and how these will impact on the Council's resources. This information then informs a draft financial plan for discussion with the Council's Corporate Leadership Team, the Leader of the Council and the Portfolio Holder for Finance.

Revenue budget growth is only considered for evidenced unavoidable pressures or increases in demand. All capital investment requests must be supported by a bid form that provides a range of information to help assess value for money. The capital budgets are prioritised using a well-tested methodology which is approved as part of the Capital Investment Strategy and schemes are ranked accordingly. Funding for new capital schemes are currently limited to the amounts awarded externally to the Council through central government channels or by other government departments.

As part of the process during this financial year, there is a review of all reserves to ensure they remain relevant with a view to repurposing them where appropriate to do so. The Council has a Reserves Policy, in which the level of reserves to protect against any issues that will affect the Council in the medium term such as the Fair Funding Formula. It is recognised by the Council (Officers and Members) that the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts.

The Council prepared a balanced General Fund Budget for 2023/24, which was taken to Cabinet in February 2023. Within this, the Council identified a savings target of over the 5 years of £3.373m (amended to

£3.369m). As part of our programme of work, we have reviewed the Council's savings plan over the 5 year period and concluded, to the best of our knowledge, savings have been adequately considered.

The Council has a record of sound financial management with the regular reporting of the financial position through to Cabinet. Budget monitoring reports (revenue and capital) are also routinely taken through the Council's scrutiny function. Budget monitoring received a 'substantial assurance' from Internal Audit for 2022/23. The outturn position for 2023/24 saw a net transfer to reserves of £1.373m, based off an overspend on Service budgets of £0.903m offset by underspends on Other Budgets and Financing of £2.762m.

Through our review of Council and committee reports, meetings with Officers, we are satisfied that the Council's arrangements for financial planning and monitoring remain adequate.

The Council's arrangements for the identification, management and monitoring of funding gaps and risks to financial resilience

The annual budget report presented to the Council contains details of key financial risks and potential impacts on the Council, as well as mitigating actions being taken. The report also details the level of reserves available to meet unforeseen challenges. In this annual report, the Council sets out that key funding reviews and business rates reforms were delayed during and not implemented, resulting in a balanced positions being achieved without the full implementation of planned savings. The Council has therefore planned to push these savings back, acknowledging that delays in such reviews and reforms do not mitigate their need.

As well as recognising the need for savings the Council implemented its Corporate Strategy as it recognises the need to diversify income streams and try to optimise commercial income from its two subsidiaries, Bersahill and S80 to reduce its risk exposure to future funding uncertainties and reduce reliance on reserves.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

When setting its Budget, the Council has regard to the level of reserves needed to mitigate against both known and unknown risks and issues. It is the Council's view that the minimum prudent level of reserves should be at £1.0m for 2022/23, and it cites CIPFA who recommend that this should be maintained to at least at 5% of net expenditure. The Council's £1.0m minimum working balance is just above the minimum figure and represents c4.4% of net expenditure for 2022/23.

We reviewed a sample of budget monitoring reports presented for 2022/23 to the Cabinet and the Overview and Scrutiny Committee. The reports contained detail on any significant variances to budget and updated on performance against savings targets. The reports also contained information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight.

The Council's arrangements to ensure financial plans support sustainable delivery and wider planning

Alongside the medium-term financial plan, the Council develops treasury and capital investment strategies to support the financial plan. This ensures relevant plans relating to the Council's finances are co-ordinated and support the operation delivery requirements of the Council. We read the internal audit review which concluded the budget setting process was sound giving a 'substantial assurance' conclusion on the Council's processes and procedures.

Throughout the financial year, the Director of Corporate Resources provided updates on treasury management, revenue and capital budgets to Cabinet, Overview & Scrutiny and Audit & Governance Committee as appropriate. These reports are intended to provide assurance to Cabinet, Overview & Scrutiny and Audit & Governance Committee that the relevant plans, and outturn to date, are supporting the medium-term operational requirements of the Council.

The Council also has a wider overarching local plan. This details the high-level goals of the Council for 2020 - 2038 and is subject to consultation to ensure the Council is delivering services in line with the needs of the local population. In preparing the medium-term financial plan, management are required to consider the overarching local plan, the ensure the delivery of the Council's goals can be met.

In acknowledgement that the Council is subject to a limited level of resources, initiatives such as 'Invest to Save' have been enacted to ensure practices are sustainable and will support the Council to meet its future

operational needs. Such initiatives are focussed on identifying investments that will provide long-term savings into the future. Examples of recent schemes include the provision of electric vehicle charging points and LED energy saving lighting schemes. Such schemes also integrate into the Council's long term local plan, converging on green and sustainable practises goals.

Outlook for 2023/24 and onwards

Local government is facing significant challenges for 2023/24 onwards. A sample of challenges the Council will be forced to consider and address in future periods will be:

- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required. The rising Bank of England base rate meant that the cost of borrowing has also increased significantly.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

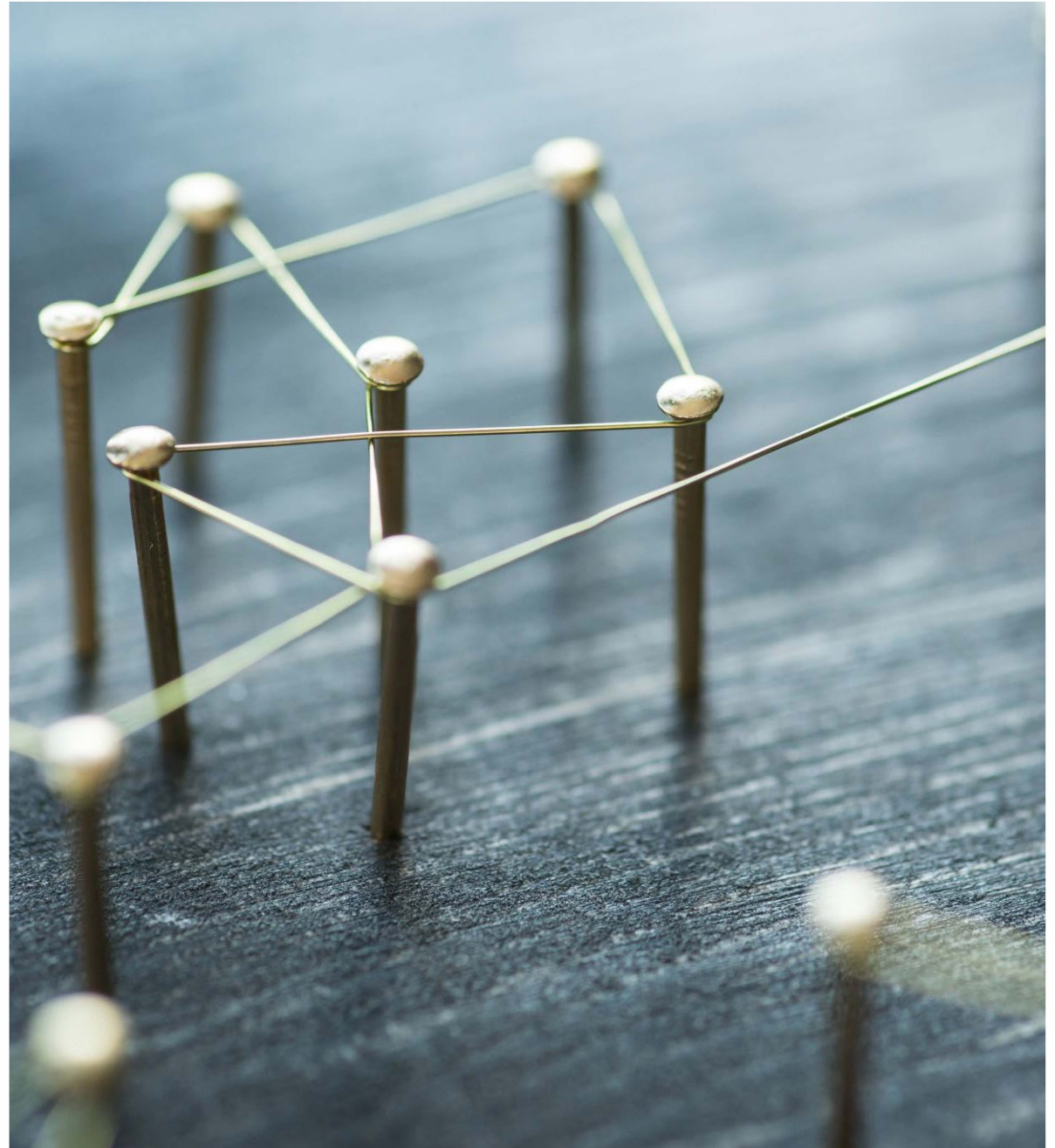
Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, there is no evidence of a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

VFM arrangements

Governance

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



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Governance arrangements in relation to the financial reporting process Raised as a significant weakness in our 2021/22 Auditor's Annual Report this remains an issue in 2022/23 because the findings were made after the 2022/23 accounts had been prepared.</p>	<p>Work undertaken To address the risk identified, we have reviewed the issues identified as part of the 2022/23 financial audit and considered whether they are remain in place for 2022/23.</p> <p>Results of our work The Council's s151 Officer authorised the 2022/23 financial statements prior to the completion of the 2021/22 audit and as a result there were material adjustments required to restate opening balances to match the audited position. In addition, due to identified errors, we received further changes to the 2022/23 financial statements, including but not limited to:</p> <ul style="list-style-type: none"> • Finance and property services line on the Comprehensive Income & Expenditure Account • The Movement in Reserves Statement and supporting notes • Net Pension Liability on the balance sheet • Note 7a the expenditure and funding analysis • Note 9 Adjustments between accounting basis and funding basis • Note 14 Property Plant & Equipment

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council's arrangements to monitor and assess risk and gains assurance over the operation of internal controls and arrangements in place to prevent and detect fraud

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Corporate Risk Management Strategy and Framework was approved by Cabinet in September 2022 and sets out the Council's approach, methodology and responsibilities. There are Corporate and Operational Risk Registers in place which are refreshed to reflect any significant changes in circumstances in which the Council operates and the current challenges and opportunities it faces. The Audit & Governance Committee reviews the effectiveness of the Council's arrangements and has continued to receive relevant update reports and briefings.

The Council has a clear and defined risk management strategy framework that aligns financial accountability within service decision-making. Management has a regime of internal controls and reconciliations that operate in relation to its main systems and procedures. Financial fraud risks and risks of corruption are managed via control design in relation to accounting processes, Human Resources policies and procedures, and the Council's code of conduct. These are further supported by a set of financial procedure rules.

The Council engages an external firm, RSM, to provide assurance over the effective operation of internal controls. There is an identified Head of Internal Audit and our attendance at committees and review of reports confirms the annual Internal Audit plan is reviewed and agreed by the Audit & Governance Committee at the start of the year. Our review of minutes confirms that Internal Audit progress reports are presented to Audit & Governance Committee meetings, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2022/23 the Head of Internal Audit concluded that 'there are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective'.

The Council has access to the RSM portal in order to manage and process their audit actions. Following 22/23 the Council had made reasonable progress in implementing agreed management actions.

We have issued a disclaimed opinion of the Council's financial statements for 2022-23, during our review of the draft financial statements we noted a number of errors prior to the start of the main audit. Management's attitude to engaging with the external auditors to rectify the identified issues moving forwards corroborates the view that internal control is treated as a priority by the Council. We will monitor the Council's progress against these recommendations in future periods.

Key to the risk management process is the role of the Audit & Governance Committee. Our attendance of meetings and review of minutes confirmed that the Committee receives regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Audit & Governance Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

A key issue for the Committee, however, will be ensuring it has proper oversight, informed by training to embed relevant and adequate skills, to oversee improvements in the financial reporting process given it is a key component in approving the Council's financial statements as fit for purpose.

The Council's arrangements for budget setting and budgetary control

We confirmed the Council has an established set of arrangements in place for budget setting and control, approved through the Constitution, which encompasses the Budget Policy Framework Procedure rules and Financial Procedure rules. The Constitution is regularly reviewed and kept up to date.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring is a continuous process which operates at all levels throughout the Council. Although Corporate Directors are ultimately responsible for the delivery of their budgets, operationally these responsibilities are devolved down to Heads of Service and budget holders across the Council's services.

Through discussions with officers, budget monitoring reports are produced on a monthly basis and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. Our review of minutes and agendas confirms the Overview and Scrutiny Committee receive quarterly finance and service performance reports at the same meeting. The Committee's minutes demonstrate appropriate challenge is in place.

There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Management and Capital Investment Strategies are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

Budget monitoring reports are presented to Cabinet on a quarterly basis and cover both revenue and capital programme updates. These are supported by full year outturn reports, reviewing outturn against the initial budget.

These arrangements are consistent with those we see at other district Councils and do not present a risk of significant weakness.

The Council's decision-making arrangements

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). We reviewed the AGS for 2022-23 and observed the Audit & Governance Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

There are arrangements in place for ensuring Councillors are aware of the behaviours expected under the Member Code of Conduct, and for investigating and considering any complaints made about Councillors. The Member code of Conduct is overseen by the Standards Committee.

There is an Overview and Scrutiny Committee in place and its role is to review and scrutinise the discharge of the Cabinet's functions and the effectiveness of the Council's functions. The Audit & Governance Committee provides further focus on risk, governance and control matters. The Overview and Scrutiny Committee has a work programme in place to steer their coverage of services and Cabinet key decisions.

The Council's arrangements to ensure appropriate statutory and ethical standards are met

Discussions with officers confirm there is a Corporate Governance Working Group that meets monthly and discusses all governance issues impacting on the Council. We have not been informed of any significant issues.

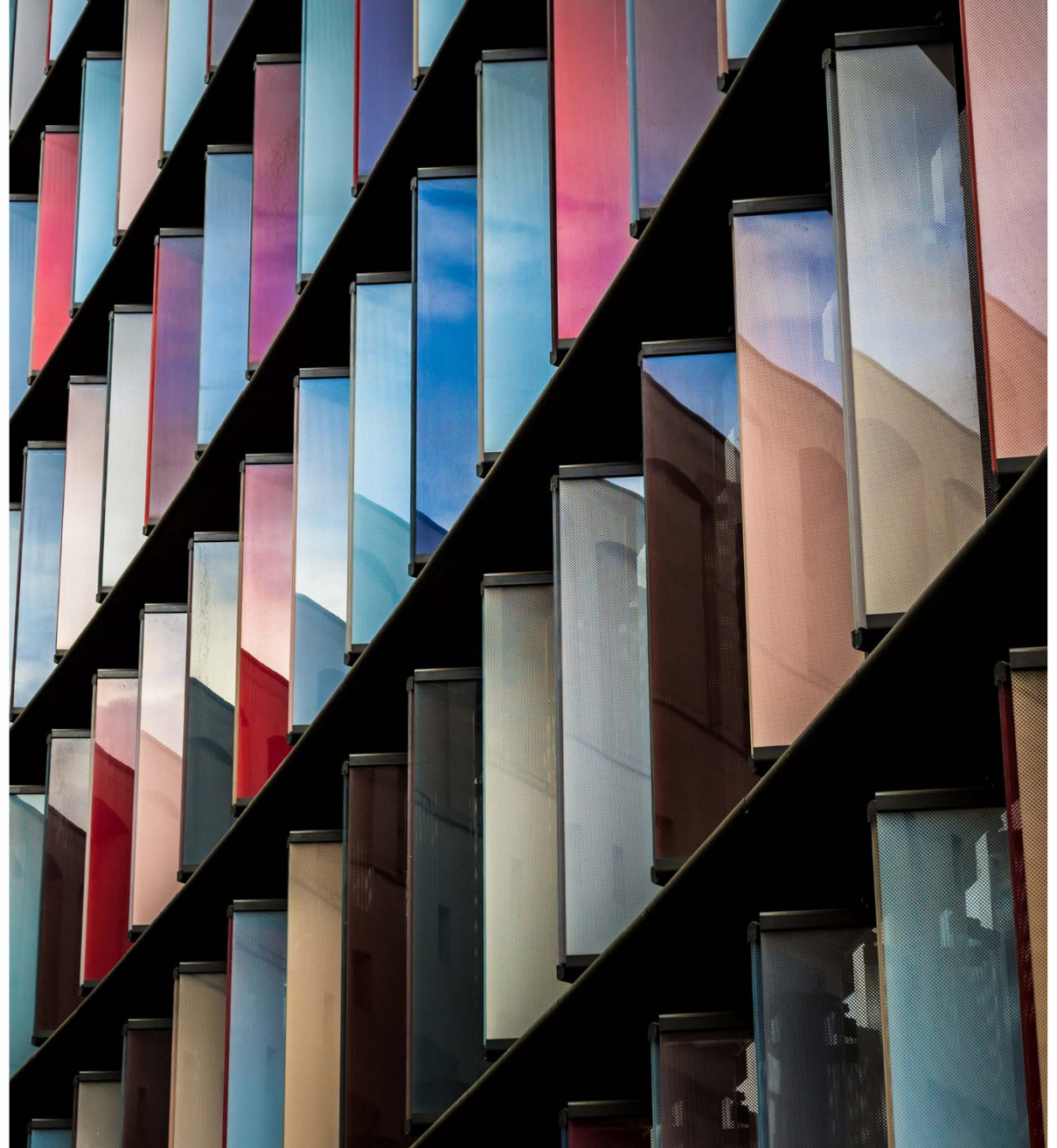
Overall view or arrangements in place in relation to governance

Except for the matter relating to financial reporting as set out on page 21, as a result of the programme of work performed, we are satisfied the Council's arrangements in relation to governance are adequate.

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 Improving Economy, Efficiency and Effectiveness

The Council's arrangements for assessing performance and evaluating service delivery

We read the Council Plan, which sets out the Council's priorities and objectives for the period covered by the plan and provides a basis for Council's service and financial planning arrangements. The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required. The Council Plan 2019-2023 was agreed by Cabinet in July 2019. It sets out three key priority areas for the Council - Housing, People, and Investment. Underpinning these priorities are ten objectives, each with a set of actions that contribute to delivery. These are reported to Members on a quarterly basis.

The Council's performance against Key Performance Indicators (KPI) are reported to the Corporate Management Team and Overview and Scrutiny Committee on a quarterly basis and then onto Cabinet. The Councils adopted a revised Performance Management Framework adopted in July 2023 to strengthen strategic oversight of performance at executive level, by replacing Corporate Performance Indicators with a smaller strategic scorecard of Key Performance Indicators (KPIs) set in line with LGA principles.

The overview and scrutiny committee then use these reports to put together a work programme for the year ahead, to deep dive on specific issues or opportunities. The programme sets out its planned activity each year in exercising its functions in holding decision-makers accountable. This provides the checks and balances that ultimately seeks to deliver the best possible outcomes for service users.

KPI's are represented in two reports, one of which is broken down into headings/descriptions and targets. The other shows the KPI, value, status, notes, current target and a trend chart.

The suite of KPI's provides Members with an overview of corporate performance broken down by Cabinet Member Portfolio.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Account subject to our audit. This outlines the Council's progress against its ambitions, highlighting key actions that have been made in response to their progress. This provides the public with an overall assessment of the Council activities for the financial year.

The Council's arrangements for working effectively within partnerships

The Council has produced a partnership toolkit, which sets out how a partnership arrangement should be

managed and the clear governance expectations to be followed. It outlines the approach to be applied when considering both introducing new partnerships and reviewing existing arrangements. It provides a basis for examining the key issues that require consideration, to ensure that any potential problems identified in relation to partnerships are assessed and mitigated.

The Partnership Register contains information about key partnerships that the Council is working with and allows partnership performance and governance arrangements to be challenged at a corporate level. The Partnership Register is updated on an annual basis and reported through the Council's Audit & Governance Committee.

There are also specific groups currently in place for both the 'Levelling-Up Fund' and the 'UK Shared Prosperity Fund' schemes. These have, to date, been largely consultative in developing bids and agreeing funding profiles for each income stream but these will become more operational as they transform to partnerships with the underlying aim to deliver services, shared outcomes and common objectives across the District.

The Council has also assessed its governance of the Council owned trading companies, particularly S80 Partnership Limited which is the Council's wholly owned trading company. This was undertaken to ensure future governance remains both robust and effective.

We have not identified any risk of significant weakness in the Council's arrangements for partnership working.

The Council's arrangements for procurement of goods and services

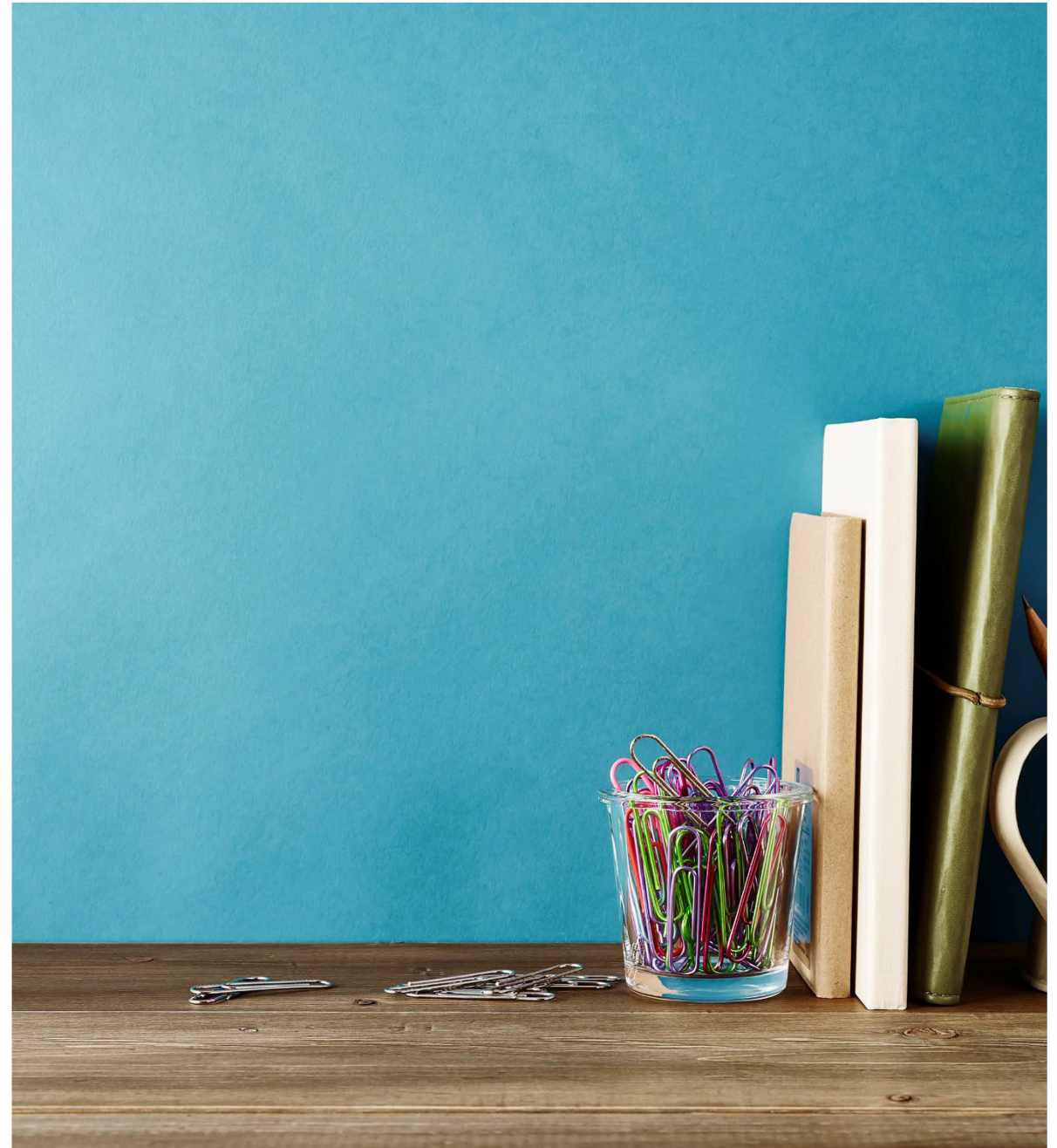
The Council's Contract Procedure Rules form part of the Council's Constitution, this takes into account latest legislative and operational changes at the Council and provide a corporate framework for the procurement of goods, works and services. Our testing of expenditure in the financial statements has not highlighted any significant weaknesses in relation to procurement.

Overall view on arrangements for improving economy, efficiency and effectiveness

As a result of the programme of work performed, we are satisfied the Council's arrangements in relation to improving economy, efficiency and effectiveness are appropriate to secure value for money.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2021/22 audit work, we identified the following significant weakness, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Governance arrangements in relation to the financial reporting process</p> <p>Our work on the 2020/21 financial statements took longer than would ordinarily be expected because of issues in preparation of the Council's draft statutory financial statements. In addition to this the audit identified material errors, in the draft financial statements, including:</p> <ul style="list-style-type: none"> • £2.5m prior period adjustment in valuations • £1.7m in year valuation error • £1m error in valuations (unadjusted) <p>Recommendations to address the underlying issues were raised as internal control weaknesses in the 2020/21 Audit Completion Report.</p> <p>Despite these recommendations being made, during the 2021/22 financial audit, material errors and internal control weaknesses have been identified, with a continuation of issues from 2020/21.</p> <p>In our view, the combination of new and ongoing issues in financial reporting, compounded by a lack of action in relation to previously-raised recommendations, is a significant weakness in arrangements that support the council's statutory financial reporting requirement that leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the body's reputation.</p>	<p>Governance</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> • Management review process in place to support the preparation of draft financial statements to ensure sufficient quality review procedures are in place to support accurate statutory financial reporting that is reflective of the underlying transactions. • Management implements the recommendations made in our 2021/22 Audit Completion Report and 2021/22 Audit Completion Update Letter to address identified weakness in financial controls and provide the Audit & Governance Committee with regular updates on the progress made to implement those recommendations. 	<p>The listed weakness was issued in February 2024, after the 2022/23 accounts had been prepared, and therefore were prepared under the same arrangements as 2021/22 so there was no opportunity for the Council to address the weakness, hence both a continuation of the weakness.</p>	<p>Still remains a significant weakness.</p>

Appendices

A: Further information on our audit of the financial statements

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. Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we did not complete our audit prior to the backstop date. Consequently, we are unable to provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit.

Description	Risk Area
Management override of controls	Fraud
Valuation of the LGPS defined benefit pension	Error and Judgement
Valuation of land & buildings and council dwellings	Error and Judgement

Summary of amendments to the financial statements

The Council's S151 Officer Director of Corporate Resources and Chief Financial Officer re-authorised the Council's draft financial statements for issue in April 2024

Although we issued a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit & Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

The Council's s151 Officer authorised the 2022/23 financial statements prior to the completion of the 2021/22

audit and as a result there were material adjustments required to restate opening balances to match the audited position. In addition, due to identified errors, we received further changes to the 2022/23 financial statements, including but not limited to:

- Finance and property services line on the Comprehensive Income & Expenditure Account
- The Movement in Reserves Statement and supporting notes
- Net Pension Liability on the balance sheet
- Note 7a the expenditure and funding analysis
- Note 9 Adjustments between accounting basis and funding basis
- Note 14 Property Plant & Equipment

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standards require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements. We confirm that no such matters have come to our attention.

Disclosure amendments

There were a number of disclosure items noted from the engagement manager and key audit partner review. The material items have been listed below:

- Group Balance Sheet Current Assets total £35.7m as opposed to the total shown of £41m.
- Group Balance Sheet Current Liabilities total £19.9m as opposed to the total shown of £22.9m.
- Absence of a Group Cash Flow Statement and Notes to support the Group Accounts.
- The Long-Term Debtors on the single entity Balance Sheet show £2.3m as opposed to £0.1m on the Group Balance Sheet.

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

Internal control observations

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we identified and reported in our 2022/23 Audit Completion Report through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Description of deficiency

The Council incorrectly assumed that Bersahill Limited was exempt from external audit and filed unaudited financial statements with Companies House.

Potential effects

Failure to comply with the Companies Act and additional testing required on transactions and balances within the group financial statements.

Recommendation

The Council should appoint an external auditor to Bersahill Limited or review alternative arrangements to obtain exemption from audit.

Description of deficiency

Per IAS 24 the authorities shall identify related party relationships and transactions, identify outstanding balances between the authority and its related parties, and identify the circumstances in which disclosures are required.

During our work on related parties, we noted there were no mention of the Council subsidiary companies (Bersahill Ltd & S80 Partnership Ltd) in the related party's disclosure note.

Potential effects

Inconsistent and incomplete financial reporting disclosures leading to amendments in the financial statements

Recommendation

The Council include their subsidiaries as related parties and account for these in line with ISA 550.

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