

ASHFIELD DISTRICT COUNCIL



Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Addendum

Audit Committee

Date: **Monday, 20th March, 2023**

Time: **7.00 pm**

Venue: **Committee Room, Council Offices, Urban Road,
Kirkby-in-Ashfield**

For any further information please contact:

Lynn Cain

lynn.cain@ashfield.gov.uk

01623 457317

If you require an adjustment to enable you to participate or access the meeting, please contact the Democratic Services team at least 48 hours before the meeting.

ADDITIONAL PAPERS

Page

9. MAZARS: Conclusion of Pending Matters – Audit Completion Report. 5 - 18

Pursuant to the provisions of Section 100(B) (4) (b) of the Local Government Act 1972, the Chairman has agreed to exercise his discretion to allow consideration of this matter as an urgent item. The reason for the Chairman's decision was due to the fact that notification had only just been received and the Audit Completion Report related to the 2021/22 accounts.

It was also recognised that this was the last meeting of the Audit Committee prior to District Council Elections in May 2023.

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Audit Committee

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14 March 2023

Dear Members

Conclusion of pending matters – Audit Completion Report for Ashfield District Council

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 17 November 2022.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters
S106 Capital Grants Unapplied	Complete	Included within our Audit Completion Report, dated 17 November 2022, we stated that the Council had identified a material prior period adjustment to the financial statements, that at the time was being quantified and processed. All information has been received and processed. No issues have been identified that need to be brought to the attention of members. Refer to Appendix A for further information in respect of the associated adjusted misstatement.
Investment Property and Property, Plant and Equipment Valuations	Complete	All information has been received and processed. No issues have been identified that need to be brought to the attention of members.
Loans and Borrowings	Complete	All information has been received and processed. No issues have been identified that need to be brought to the attention of members.
Related Parties	Complete	All information has been received and processed. No issues have been identified that need to be brought to the attention of members.

Audit area	Status	Description of outstanding matters
Information Technology General Control (ITGC) document	Complete	All information has been received and processed. No issues have been identified that need to be brought to the attention of members.
IAS19 Defined benefit liability valuation	Complete	Included within our Audit Completion Report, dated 17 November 2022, we stated that there was an unadjusted misstatement in relation to the Council's IAS19 Defined benefit liability valuation. In particular around the increase of related assets. Two additional letters were received from the Nottinghamshire Pension Fund Auditor's, dated 14 November (which was still being processed at the time of writing our completion report) and 24 November 2022 stating variations to their intended report. This subsequently resulted in further procedures being undertaken an adjusted misstatement being identified and processed by management. Refer to appendix A for further information.
Whole of Government Accounts	Incomplete	The National Audit Office's Group Instructions for local authority 2021/22 audits remain unavailable and consequently WGA returns, and audit certificates cannot be issued at the present time. We will aim to complete this work as soon as these instructions are available and report back to the Audit Committee on completion.
Completion Procedures	Complete	We have undertaken the outstanding procedures and received the residual audit documentation required and our work is complete.

If you wish to discuss these or any other points, then please do not hesitate to contact me. We have attached our audit report wording and updated management representation letter as an appendix for reference. Refer to Appendix B and C for further information.

Yours sincerely



David Hoose
Key Audit Partner

For and on behalf of Mazars LLP

Appendix A – Audit Findings

Adjusted misstatements

S106 Capital Grants Unapplied

As reported within our Audit Completion Report, management at the time had identified a prior period adjustment in respect of classification of S106 Capital Grants. Stating these were incorrectly classified on the Council's balance sheet and needed to be moved from Grants Unapplied to Grants Received in Advanced.

The Council undertook some work to quantify the total amount in question. Given the amount is above our materiality threshold, the Council agreed to adjust the financial statements accordingly.

Adjustments are as follows;

Balance (2020/21)	DR (£,000)	CR (£,000)
S106 Contributions (Earmarked Reserves)	276	
S106 Received in Advance Revenue		276
S106 Received in Advance Capital	22	
S106 Third Party		22
S106 Capital Grants Unapplied	1,908	
S106 Received in Advance Capital		1,908
Total	2,206	2,206

Balance (2021/22)	DR (£,000)	CR (£,000)
S106 Contributions (Earmarked Reserves)		8
S106 Received in Advance Revenue	8	
S106 Capital Grants Unapplied	102	
S106 Received in Advance Capital		102
Total	110	110

IAS19 Defined benefit liability valuation

Included within our Audit Completion Report, dated 17 November 2022, we stated that there was an unadjusted misstatement in relation to the Council's IAS19 Defined benefit liability valuation.

In particular around the increase of related assets. Two additional letters were received from the Nottinghamshire Pension Fund Auditor's, dated 14 November (which was still being processed at the time of writing our completion report) and 24 November 2022 stating variations to their intended report. This subsequently resulted in further procedures being undertaken an adjusted misstatement being identified and processed by management.

Based on our materiality levels and the total of unadjusted misstatements already recorded within our Audit Completion Report, management decided to adjust the financial statements accordingly.

Adjustments are as follows;

Balance	DR (£,000)	CR (£,000)
LGPS Net Defined Pension Liability	857	
LGPS Pension Reserve		857
Total	857	857

Appendix B – Audit Report

Independent auditor's report to the members of Ashfield District Council

Report on the audit of the financial statements

Opinion on the financial statements

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

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Resources Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Corporate Resources Director with respect to going concern are described in the relevant sections of this report.

Other information

The Corporate Resources Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Corporate Resources Director for the financial statements

As explained more fully in the Statement of the Corporate Resources Director's Responsibilities, the Corporate Resources Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Corporate Resources Director is also responsible for such internal control as the Corporate Resources Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Resources Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Corporate Resources Director is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks

of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

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

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

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

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

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

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

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

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

Matter on which we are required to report by exception

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

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

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

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

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

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

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

David Hoose, Key Audit Partner
For and on behalf of Mazars LLP

Park View House,
58 The Ropewalk,
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NG1 5DW

Appendix C – Management Representation Letter

Mazars LLP
Park View House
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Nottingham
NG1 5DW

Dear Sirs

Ashfield District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Ashfield District Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Corporate Resources Director for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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

Impairment review

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

Charges on assets

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

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

Brexit

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

Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Going concern

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

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

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements and internal control recommendations

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

Yours faithfully

Corporate Resources Director

Appendix A

Unadjusted Misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Prepayments			520	
Cr: Cost of Services - Expenditure		520		
<p>As part of our Expenditure Cut off testing, we identified a total of 2 transactions (total factual error is £27k), that had been paid by the Council in the current financial year, however, the goods/ services related to the 2022/23 financial year. The Council had not treated these as a prepayment and therefore, this represents an error in the Council's accounts. This meant that expenditure for 2021/22 is overstated and Prepayments are understated. Because we apply a sampling methodology, where we cannot confirm the error is isolated we must extrapolate the impact of the error across the remainder of the population. This has led to an extrapolated error of £520k.</p>				

Internal Control Recommendations

Other deficiencies in internal control – Level 2

Matters arising

As part of our Related Parties testing and consistency check, we identified two instances where declarations made by Councillors were not consistent with the information held at Companies House.

Description of deficiency

Declaration forms are not being completed appropriately in line with the Council's processes.

Potential effects

Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation

The Council need to ensure that all declarations are consistent and cross checked back to Companies House and where an undisclosed interest arises, the forms are updated alongside the financial statements.

Other deficiencies in internal control – Level 2

Matters arising

As part of our Capital Additions testing, we identified two assets that gave rise to a subsequent disposal and should have been accounted for as such. The assets in question, related to the Vehicle asset category included on the Council's balance sheet. No such adjustment was made to the Council's fixed asset register. No additional concerns were identified through our testing that would suggest the financial statements are materially misstated.

Description of deficiency

There is a risk that the Council are not undertaking timely monitoring of the fixed asset register.

Potential effects

The Council's fixed asset register is not being monitored and updated to accurately reflect disposals. There is a risk that Property, Plant and Equipment, in particular vehicle related assets is overstated in the financial statements as the Council no longer has legal ownership of the asset.

Recommendation

The Council need to ensure that their processes are reviewed and updated to ensure that such disposals are being identified and deleted from the fixed asset register.

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