



Additional / To Follow Agenda Items

This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.

Nottingham City Council Audit Committee

Date: Friday, 28 May 2021

Time: 10.30 am

Place: Dining Room - at the Council House

Governance Officer: Kate Morris **Direct Dial:** 0115 876 4353

Agenda

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The Annual Audit Letter for Nottingham City Council

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Annual Audit Letter

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Nottingham City Council (the Council) for the year ended 31 March 2019. The Letter is being written much later than normal timescales because of significant delays to the completion of the audit. As the findings from our work have already been well publicised, this Annual Audit Letter provides only a very brief summary.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £18m for the group accounts and £16m for the Council's single entity accounts, which is approximately 1.75% of the Council's gross cost of services.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 26 March 2021. Although the Council produced its draft financial statements by the deadline of 31 May 2019, our work was significantly delayed due to the impact of delays in the separate audit (by another auditor) of Robin Hood Energy (RHE), its former wholly-owned energy supplier, and the impact on the Council's group accounts of the deteriorating financial position of RHE.

The detailed findings from our audit of the accounts were reported to the Council's Audit Committee in our Audit Findings Report on 31 July 2020. In carrying out our audit work, the significant risks on which we focused were:

- Management override of controls
- Valuation of property, plant and equipment
- Valuation of investment properties
- Preparation of group accounts
- Accounting for Private Finance Initiative (PFI) schemes.

Whole of Government Accounts (WGA)

We were not required to complete work on the Council's consolidation return as the national exercise had already been completed by the time the Council's accounts were finalised.

(continued)

Use of statutory powers

We issued a Report in the Public Interest on 10 August 2020 in relation to the Council's governance arrangements for RHE. The Council considered the Report and its response to it in a public meeting on 27 August 2020 in accordance with statutory requirements.

Following our report, the Council agreed to undergo a non-statutory review carried out on behalf of the Ministry of Housing, Communities and Local Government, which reported on 30 November 2020. We considered the findings from this review in reaching our Value for Money conclusion.

The Council prepared a Recovery and Improvement Plan in response to the review, and has set up an independent Improvement and Assurance Board to provide appropriate external monitoring and oversight. The actions needed as a result of our Public Interest Report are now also incorporated within the Recovery and Improvement Plan.

We are continuing to monitor progress as part of the 2019/20 and 2020/21 audits and will report our views in due course.

Value for Money arrangements

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We gave an adverse VfM conclusion on 7 April 2021 which stated that we were not satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. In reaching this conclusion, we considered the following significant risks:

- governance arrangements for Council-owned companies
- the financial sustainability of the Council
- arrangements for the management of significant projects

The detailed findings from our work were set out in our VfM Audit Findings Report presented to the Council's Audit Committee on 26 March 2021.

Certificate

We certified on 7 April 2021 that we have completed the audit of the Council's financial statements in accordance with the requirements of the Code of Audit Practice.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff and Members. The period of this audit has been a very challenging one for the Council, given the nature and consequences of our findings and also, in the latter part of the audit, the impact of the covid-19 pandemic. Officers and members have nevertheless been at all times courteous and professional in their approach. .

Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	February 2019
Interim Audit Findings Report	July 2019
Audit Findings Report (accounts audit)	July 2020
Report in the Public Interest (RHE)	August 2020
Extended Audit Report (opinion on the financial statements)	March 2021
VfM Audit Findings Report	March 2021
VfM conclusion and Audit Certificate	April 2021
Annual Audit Letter	May 2021

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table below summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

Fees for non-audit services

Service	Fees £
Audit related services	
• Certification of Teachers Pensions Return 2018/19	5,000
Non-Audit related services	
- CFO Insights subscription	16,000

Fees

	Planned £	Actual fees £
Statutory audit	132,,531	226,031

Audit fee variation

Full details of the additional fees charged and the reasons for them were included in our VfM Audit Findings Report (March 2021).

Fee variations are subject to PSAA approval.



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