



Audit Completion Report Rushcliffe Borough Council– year ended 31 March 2024

September 2024

Governance Scrutiny Group
Rushcliffe Borough Council
Rushcliffe Arena
Rugby Road
Nottinghamshire
NG2 7YG

19th September 2024

Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 30th May 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me at Mark.SurrIDGE@mazars.co.uk

Yours faithfully

Mark SurrIDGE

Forvis Mazars LLP

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01

Executive Summary



Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls;
- Valuation of the LGPS defined benefit pension; and
- Valuation of land, buildings, and investment properties

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £164k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received final group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to complete our work in this area until such instructions have been received.



Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Status of the audit



Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below

Property, Plant, and Equipment

Our testing is complete, with the exception of our review of property valuations for assets not revalued in the year, as we are awaiting third party information from the NAO



Cash and cash equivalents

We have one outstanding third party confirmation for one of the Council's short term deposits



Pensions

We are reviewing the Council's pensions workings, and awaiting a response to our request for assurance from the pension fund auditors



Completion procedures

Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.



Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

03

Audit Approach



Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 30th May 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £882k using a benchmark of 2% of gross revenue expenditure.

Based on the final financial statement figures, the final overall materiality we applied was £895k (final performance materiality: £671k, final clearly trivial threshold: £27k).

Reliance on internal audit

No reliance has been placed on internal audit for the 2023/24 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council

Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. No changes to those outlined in our ASM.

Item of account	Management's expert	Our expert
Property, Plant & Equipment and Investment Property	Nick Berry and Leanne Ashmore (Internal Valuers)	None. Third party evidence is provided via the NAO to support our challenge of valuation assumptions
Pensions	Barnett Waddingham (Actuary for Nottinghamshire Pension Fund)	PwC (Consulting actuary appointed by the NAO)
Financial Instruments disclosures	Arlingclose (Treasury Management Advisors)	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach. There have been no changes to our approach since we issued our ASM.

Items of account	Service organisation	Audit approach
Employee Benefits Expenses	Gedling Borough Council The payroll entries included in Rushcliffe Borough Council's statement of accounts are significant. These disclosures derive from monthly payroll runs processed and administered by Gedling Borough Council.	We will review the controls over these transactions and document our understanding of the services provided. Additionally, we will conduct detailed audit testing of the relevant disclosures in the statement of accounts.

04

Significant findings



Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Significant Risks

Management override of controls

Description of the risk

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.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

No issues have been identified, that need to be brought to the attention of members

Significant findings

Valuation of the LGPS defined benefit pension

Description of the risk

Rushcliffe Borough Council is an employer in the Local Government Pension Scheme, administered on a local level by the Nottinghamshire Pension Fund.

The defined benefit assets and liabilities are significant items in the Council's balance sheet. In the 23/24 statement of accounts these amounted to:

- Present value of defined benefit obligation - £89,611k
- Fair value of plan assets - £78,694k

The Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.

How we addressed this risk

- 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 will include 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 will include comparing them to expected ranges, utilising information by PwC and consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements. In the event of a pension surplus arising in 23/24, its accounting treatment will require specific consideration under IFRIC 14.

Audit conclusion

Through the work completed to date, no issues have been identified that need to be brought to the attention of members. However, our work is ongoing in this area as we have not yet received the assurance required from the Pension Fund auditor.

Significant findings

Valuation of land, buildings, and investment properties

Description of the risk

Land and buildings within Property, Plant and Equipment (PPE) and Investment Properties are significant items on the Council's balance sheet.

The valuation of land and buildings is complex and involves a number of management assumptions and judgements. Due to the high degree of estimation uncertainty involved, we have identified a significant risk in this area.

In the 23/24 statement accounts these items amounted to:

- PPE Land and Buildings - £67,452k

- Investment Properties - £23,789k

How we addressed this risk

- Critically assessing the Council's valuer's 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 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers

Audit conclusion

Through the work completed to date, no issues have been identified that need to be brought to the attention of members. However, our work is ongoing in this area as we finalise our review of non revalued assets

Significant findings

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 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31st May and were of a good quality. However, good financial reporting means ensuring information in the financial statements is relevant and uncluttered. Thus Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards. Under *IAS 1 Presentation of Financial Statements*, an entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information. IFRS 18 Presentation and Disclosures in Financial Statements will replace IAS 1 from 2027/28 and includes more specific guidance on improving presentation of financial statements to avoid obscuring relevant information.

The 2023/24 draft financial statements presented to audit contained a number of accounting policies and accounting disclosures that could still be considered to be immaterial, for example:

- Intangible Assets (note 10 and policy xi)
- Assets held for sale (note 11)
- Accumulated absences account (and Policy vi)
- Policy vii
- Policy viii reference to long-term debt, soft market loans, and FVPL/FVOCI (if not applicable)
- Policy xii (inventory) and xiii (interests in companies and other entities)
- Policy xv reviewed for only relevant arrangements
- Xviii reviewed for relevant assets (e.g. donated assets)
- Note 40 and 41

As a consequence, we recommend that for 2024/25, the Council should formally review the materiality and presentation of its Statement of Accounts and present its findings to the Governance & Scrutiny Group to ensure any modifications or adaptations are transparently considered prior to removing in the 2024/25 Statement of Accounts. For example, this may involve the adoption of a full set of accounting policies by the Governance & Scrutiny Group, but only including those that are relevant in the published Statement of Accounts

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- The Council's financial position, including development of the medium-term financial plan: During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.
- As reported in the prior year, the Council holds £14.038m of pooled investments. In 2018, a Statutory Override on IFRS9 was introduced to allow local authorities to move the impact of gains and losses on pooled investment funds into an unusable reserve rather than impact the general fund. The Override was initially due to end in March 2023, but this was extended to March 2025. Whilst the council has made a commitment to hold these funds over the long-term, they have fallen in value by £1.082m since 2018/19. Had the override ended when originally intended (31 March 2023), the Council would have had to build in the recovery of this unusable reserve in 2023/24, via the General Fund or by re-purposing Earmarked Reserves. The extent of financial risk associated with current and future investments needs to be monitored, and alongside updates to the capital financing regime and Minimum Revenue Provision, we would encourage the Governance Scrutiny Group to seek assurance and ensure it understands the relevance and potential impact to the Council. We are aware that the Council are monitoring the risks closely, and have provided regular updates to the group, through their treasury management updates. The accounts also include a Treasury Capital Depreciation Reserve, to provide funding to reduce the impact on the general fund from reductions in the capital value of treasury investments. The Council has appropriated funds of £1.173m into this reserve to mitigate the risk of the capital loss against the general fund.

Significant findings

Significant matters discussed with management continued

- The Council's approach to recording multi-year income and expenditure is currently to record one full year of income/ expenditure in the first financial year, and none in the final year, even where the contract started part way through the year. We discussed that where income/ expenditure only relates to part of the year, the Council should apportion the income/ expenditure in order to only recognise the amount of income/ expenditure that has actually occurred in that financial year, ensuring that revenue is only recognised as and when performance obligations are met, as per IFRS 15. In addition, the Council told us that it does not accrue where the amount is not material. However, the Council has not set a de minimis amount for accruals. As such, what is considered to be material is currently down to individual's judgement. We have recommended that the Council should set a de minimis as part of their accruals policy, to ensure consistency is applied, whilst ensuring that the impact would not lead to material errors.
- Through our testing, we identified that where the Council has long term debtors or creditors, relating to multi-year contracts, the Council had not split these between short term and long term debtors/ creditors in the accounts. Following this, the Council have undertaken a review to ensure all multi-year contracts have been identified, and adjusted, to ensure the values are correctly classified as short term, and long term within the financial statements.

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; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 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. No such objections have been raised.

05

Internal control conclusions



Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to the Governance Scrutiny Group any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

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.

The deficiencies in the Council's internal controls that we have identified as at the date of this report are set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Governance Scrutiny Group

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Governance Scrutiny Group and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Significant deficiencies in internal control

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

We have not identified any significant deficiencies in internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

As part of our IT General Controls work on the ledger system, eFinancials, we noted that a small number of privileged users within the finance team itself were able to set up new accounts and re-initialise passwords. These users do not have back-end database access.

The risk associated with this issue is mitigated by the fact that the system does not allow a previously-used password, therefore these users would be unable to log into other accounts unnoticed.

Potential effects

There is a risk that privileged users within the finance team could access a second account and use this to make fraudulent entries

Recommendation

We recommend that password reinitialisation be restricted to IT staff only who are not members of the finance team

Management response

It is correct that we can amend passwords and this wouldn't go unnoticed as passwords cannot be re-set back to a previous password. Having IT administer the passwords wouldn't mitigate the risk as they also have user access to EFIN. Other mitigations in place are new creditors that have been set up are checked by another member of the team. We also run a report to check for multiple bank details for different creditors. There would need to be multiple 'new' users set up to be able to raise and authorise creditor payments as these cannot be done by the same user. We will look to generate a report on new users set up and ensure this is signed off by a non-administrator as I feel that this would address the risk.

Internal control conclusions

Other deficiencies in internal control continued

Description of deficiency

As part of our work on accounting policies, we identified that the 2023/24 accounting policies were not formally approved. Retrospective approval has now been obtained from the s151 officer.

Potential effects

Lack of approval process could result in the accounting policies not being fully tailored and appropriate for the current year's financial statements

Recommendation

We recommend that the accounting policies are approved in advance of the financial statements being published, with approval being obtained from the Governance Scrutiny Group where any significant changes are being proposed. Also see our comments on page 14.

Management response

The Accounting Policies were reviewed by the Deputy S151 officer, Senior Finance Business Partner and the Business Partners prior to the statement being published. These would ordinarily also be signed off by S151 officer and material changes would be taken to Governance Scrutiny Group if necessary

Description of deficiency

In the prior year, we identified an error on the bank reconciliation, that was due to be corrected in 2023/24. We found that the £9k error was brought forward into the 2023/24 bank reconciliation and has not yet been corrected.

Potential effects

Having unreconciled items on the bank reconciliations could result in the cash and bank balance in the accounts being misstated

Recommendation

We recommend that the Council investigate and amend this issue to ensure the bank reconciliation fully reconciles

Management response

This is a system anomaly due to the way that account code carries forward that is under investigation the finance system providers. We currently have to manually account for this until the ledger has been corrected

Internal control conclusions

Other deficiencies in internal control continued

Description of deficiency

We identified that whilst the Council have a de minimis level for accruals, this isn't currently applied to the splitting of multi-year income/ expenditure, and judgement is used to determine whether a transaction is significant enough to require apportioning across the respective years. In addition, where multi-year contracts are split across years, they are recognised in full years, rather than being apportioned to the number of months relevant to each year.

Potential effects

There is a risk that items which are material to the Council may not be appropriately accrued or apportioned, and therefore not recognised in the correct financial year

Recommendation

We recommend that the Council applies the de minimis specified in their accruals policy to all accruals, including the splitting of contracts across years, or that the Council specifies a de minimis level specifically for multi-year contracts. Any de-minimis level needs to consider the risk of material error arising as a result of not following proper accounting practice on high volume but low value transactions.

Management response

We agree we don't have a limit set for splitting multi-year transactions and we will look to implement this

Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

There were 2 councillors for which no declaration of interests' form was available. The councillors are no longer serving councillors, however they were during 2022/23 so a declaration for the 2022/23 year should have been made.

Potential effects

Missing declarations of interest could result in the Council omitting a required related party disclosure from their financial statements

Recommendation

We recommend that management implement robust processes for ensuring that all councillors and senior officers complete declaration of interests' forms.

Current position

During 2023/24 there was no declaration of interest form initially returned for one councillor, due to them being away from Councillor duties. This was however, subsequently received in July 2024. In addition, our review of Companies House identified one individual did not disclose a company they had an interest in. We have confirmed that that Council had no transactions with this company during the year.

06

Summary of misstatements



Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of 27k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 30th May 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Prepayments			164	
Cr Expenditure		164		
We identified a multi-year contract relating to 5 years from August 2023, however the Council had recognised a full year as expenditure in 23/24, rather than the 8 months from August. As this was identified as part of a sample, we extrapolated this error to estimate the total potential error, if we apply the error rate to our untested population. This gives us a total estimated error of £164k.				
Aggregate effect of unadjusted misstatements	0	164	164	0

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Governance Scrutiny Group should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>Dr Short Term Debtors – Trade Debtors</p> <p>Cr Short Term Creditors – Trade Creditors</p> <p>We identified an error whereby a reversal of expenditure had been incorrectly debited to creditors, instead of debtors. The value of this item was £22k. The Council's review found a further similar error of £12k, making the total adjustment required £35k.</p>			35	35
<p>Dr Short Term Creditors – Receipts in Advance</p> <p>Cr Long Term Creditors - Receipts in Advance</p> <p>We identified that the whole value for prepaid taxi licenses (£24k) had been recorded as short term, rather than splitting between long term and short term. The Council reviewed all receipts in advance for any other long-term items and identified applications for houses in multiple occupation (£48k). The total adjustment made was therefore £72k.</p>			72	72
<p>Dr Long Term Debtors – Prepayments</p> <p>Cr Short Term Debtors – Prepayments</p> <p>We identified a multi-year contract that had not been split between long term and short term. The value of the error was £55k. The Council identified through their review, a further error of £94k, giving a total error value £149k.</p>			149	149
Aggregate effect of adjusted misstatements			256	256

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Main cashflow initially showed the incorrect year
- £663k agency staff costs were incorrectly classified as other service expenses rather than employee benefit costs within note 2 income and expenditure analysed by nature
- There were banding errors in note 24 officers' remuneration
- Note 8 PPE Movements – £43k Asset Under Construction movement incorrectly shown as Derecognition/Disposal instead of the transfers, to agree to the Infrastructure Assets transfer
- Note 8 PPE - rolling revaluations - Presentation error on the note for assets revalued in the year. This showed £64,004, and was corrected to £64,150
- Note 8 Capital Commitments stated £1.5m instead of £1.7m for Cotgrave and Keyworth Leisure Centre enhancements
- Note 12 Financial Instruments – the value for debtors initially incorrectly included prepayments, and the value for creditors incorrectly included receipts in advance, and excluded goods received not invoiced accruals
- Note 13 debtors – we identified £3.7m deferred consideration for Hollygate Lane disposal had been misclassified as Trade Debtors rather than Other Debtors
- Collection Fund Statement included reference to the incorrect year

07

Value for Money



Value for Money

Approach to Value for Money

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; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

We did not identify any risks of significant weaknesses through our planning work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We are presenting the draft Auditor's Annual Report to this meeting and will issue the final version once the audit opinion has been issued.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements is provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications



Appendix A: Draft management representation letter

Forvis Mazars
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Rushcliffe Borough Council- Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council for the year ended 31 March 2024 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 2023/24 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022, 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, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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 Director of Finance and Corporate Services 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 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 current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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).

I confirm I have assessed the impact of any asset ceiling to be calculated on pension scheme assets and ensured, where applicable, that accounting adjustments have been made.

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.

Appendix A: Draft management representation letter continued

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, as amended by the Code Update 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 Director of Finance and Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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 in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you 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 carried out an assessment of council buildings for Reinforced Autoclaved Aerated Concrete (RAAC) and confirmed an impairment review is 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

The Council has no 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, as amended by the Code Update 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.

Appendix A: Draft management representation letter continued

Impacts of Russian Forces entering Ukraine

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

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and any disclosure in the Narrative Report fairly reflects that assessment.

Current banking crisis

We confirm that we have assessed the impact on Rushcliffe Borough Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

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.

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

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Director of Finance and Corporate Services / s151 officer

Appendix B: Draft audit report

Independent auditor's report to the members of Rushcliffe Borough Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Rushcliffe Borough Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund statement, and notes to the financial statements, including material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 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 2023/24.

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 Director of Finance and Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 Director of Finance and Corporate Services with respect to going concern are described in the relevant sections of this report.

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. The Director of Finance and Corporate Services is responsible for the other information. 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 Director of Finance and Corporate Services for the financial statements

As explained more fully in the Statement of the Director of Finance and Corporate Services Responsibilities, the Director of Finance and Corporate Services 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance and Corporate Services is also responsible for such internal control as the Director of Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 Director of Finance and Corporate Services 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.

Appendix B: Draft audit report continued

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance Scrutiny Group, as to whether the Council is in compliance with laws and regulations, and discussing their 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.

We evaluated the Director of Finance and Corporate Services' 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 in relation to fraud included but were not limited to:

- making enquiries of management and the Governance Scrutiny Group 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, reviewing accounting estimates, and testing significant transactions outside the normal course of business, or otherwise unusual.

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 Governance Scrutiny Group. 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 Director of Resources and Corporate Services' 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 February 2023.

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 view 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 2024.

We have nothing to report in this respect.

Responsibilities of the Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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 May 2024.

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.

Appendix B: Draft audit report continued

Use of the audit report

This report is made solely to the members of Rushcliffe Borough 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 for 2022/23 and 2023/24.

Mark SurrIDGE, Key Audit Partner
For and on behalf of Forvis Mazars LLP

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the s151 Officer that Rushcliffe Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the Governance Scrutiny Group, confirming that</p> <ol style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Forvis Mazars

Mark Surridge

Partner

Tel: 07875 974 291

Mark.Surridge@mazars.co.uk

Bethan Vance

Manager

Tel: 07581 020 016

Bethan.Vance@mazars.co.uk

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