



Auditor's Annual Report

North East Lincolnshire Council – year ended 31 March 2024

February 2025

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Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Forvis Mazars LLP – 2 Chamberlain Square, Birmingham B3 3AX Tel: 0121 232 9500 – Fax: 0121 232 9501 – www.forvismazars.com/uk

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Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for South Derbyshire District Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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

Opinion on the financial statements

Our audit report, has been issued on 27 February 2025, and gave unqualified opinion on the financial statements for the year ended 31 March 2024.



Value for Money arrangements

Our work has identified significant weaknesses in arrangements relevant to the 2023/24 financial year. Section 3 provides our draft commentary on the Council’s arrangements and a summary of our recommendation(s) and the weakness identified.



Wider reporting responsibilities

At the date of reporting our work on the Council’s Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office.

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

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

Our audit report, has been issued on 27 February 2025, and gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A.

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Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

- 

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

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

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

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

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

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

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

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

Phase 2 - Additional risk-based procedures and evaluation

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

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

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




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

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

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

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	Yes	No	No
 Governance	17	No new matters arising	Yes – Children's Services (continuation of prior year report matter) see page 22	No
 Improving economy, efficiency and effectiveness	20	No new matters arising	Yes – Children's Services (continuation of prior year report matter) see page 22	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2022/23	Nil.
Significant weaknesses identified in 2023/24	Nil.

Position brought forward from 2022/23

In April 2024, we reported in our Annual Auditor’s Report for 2021/22 and 2022/23, that we had:

- reviewed the 2022/23 financial outturn position as presented in the financial statements;
- reviewed the Council Papers supporting the 2023/24 Budget and Medium Term Financial Strategy (MTFS) from February 2023; and
- considered the 2024/25 Budget and MTFS approved in February 2024.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2022/23. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2023/24.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2023/24.

These confirm the Council undertook its responsibility to define the strategic aims and objectives, monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

2023/24 Budget Setting and the Medium-Term Financial Strategy

As set out above, we considered the 2023/24 budget setting process as part of our work in the prior year and were satisfied there was no evidence of a significant weakness in arrangements. From the work performed in the prior year, we found no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans.

The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with Officers, we are satisfied that the Council’s arrangements for budget monitoring are adequate, including regular reporting to Members and well-established arrangements for year-end financial reporting.

2023/24 Outturn

We reviewed the provisional outturn reported to Cabinet in June 2024 and read the narrative report of the 2023/24 financial statements. For 2023/24, the Council’s service budgets overspent by £4.1m, which the Council explains as being reflective of the ongoing challenges in Children’s safeguarding. A balanced position was achieved with help from the use of flexible capital receipts to support transformation.

Through our work on the financial statements, we have tested expenditure applied under the flexible capital receipts policy to ensure it meets relevant definitions and is recoded accurately.

The Council’s outturn position in 2023/24 and reserves position does not highlight a risk of significant weakness in arrangements for financial sustainability. We say more on the use of flexible capital receipts on the next page.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Matters raised in our 2022/23 Auditor's Annual Report relevant to 2023/24

The following was included in our report in April 2024 and remains relevant in our assessment for 2023/24 and so has been brought into this report as important context.

Bridging funding gaps and cost pressures of children's services

We reviewed the Council Papers supporting the 2023/24 Budget and Medium-Term Financial Strategy (MTFS) from February 2023. We have also considered the 2024/25 Budget and MTFS approved in February 2024. We are satisfied there is no evidence of a significant weakness in arrangements to develop and approve the Budget and MTFS. We specifically considered how the cost pressures associated with addressing the issues in Children's Services are being reflected in the MTFS, drawing out the information in the table below:

	£m	2023/24	2024/25	2025/26	2026/27
2023/24 MTFS	Use of flexible capital receipts	5.0	4.0		
	Contributions to earmarked reserves	1.3	2.5	2.5	
	Savings required	0.0	7.9	6.2	
2024/25 MTFS	Use of flexible capital receipts	9.0	12.0	2.0	2.0
	Contributions to earmarked reserves		6.9	2.5	2.5
	Savings required		0.0	8.6	8.6

This shows, a significant increase in the use of flexible capital receipts to fund the transformation required to improve Children's Services alongside an increasing savings gap. A challenge for the Council is maintaining a level of reserves that does not threaten financial suitability, whilst addressing the inadequate performance of children's services.

Our assessment does show the financial sustainability of the Council is under increasing threat, for example, the 2023/24 MTFS needed £14.1m of savings, which rose to £17.2m in the 2024/25 MTFS.

Updated position from the 2025/26 Draft Medium Term Financial Plan

For our work in relation to 2023/24, we have reviewed the Budget and Medium-Term Financial Plan presented to Budget Scrutiny in January 2025, recognising that it is subject to finalisation and approval before setting the 2025/26 Budget. It does, however, enable us to update the table previously presented:

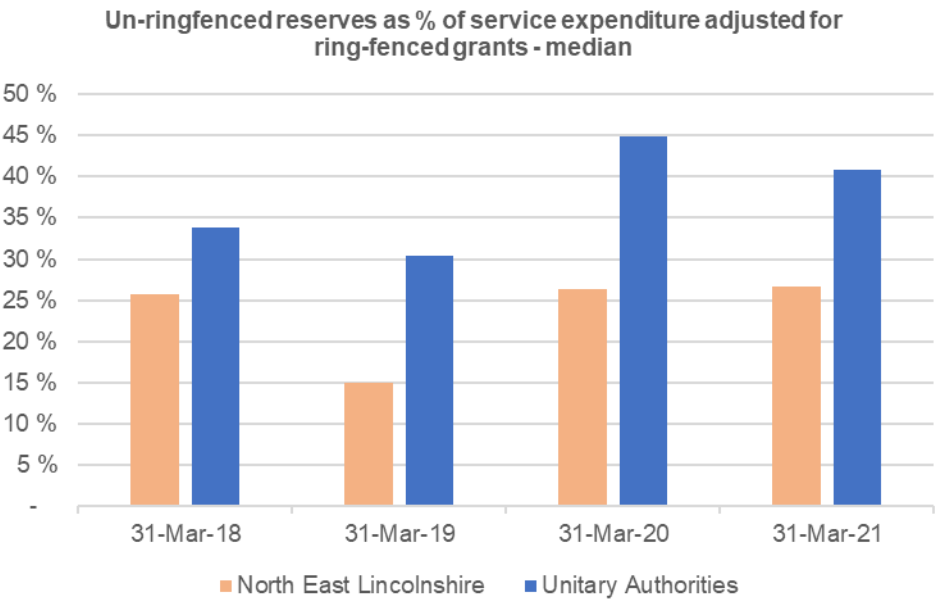
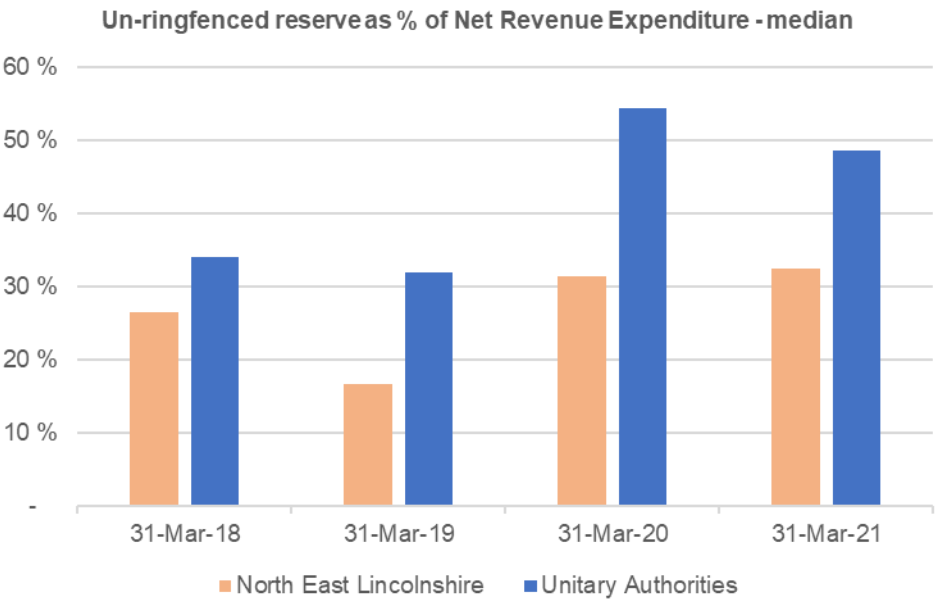
	£m	2023/24	2024/25	2025/26	2026/27	2027/28
2023/24 MTFS	Use of flexible capital receipts	5.0	4.0			
	Contributions to earmarked reserves	1.3	2.5	2.5		
	Savings required	0.0	7.9	6.2		
2024/25 MTFS	Use of flexible capital receipts	9.0	12.0	2.0	2.0	
	Contributions to earmarked reserves		6.9	2.5	2.5	
	Savings required		0.0	8.6	8.6	
2025/26 MTFS	Use of flexible capital receipts			2.0	2.0	0.0
	Contributions to earmarked reserves			5.4	3.2	3.2
	Savings required			0.0	4.0	6.0

Whilst the Council's use of flexible capital receipts has significantly reduced, the Council must continue its programme and bridge the funding gap to secure its financial sustainability, without overreliance on reserves or one-off measures.

VFM arrangements – Financial Sustainability

Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been below the median compared to shire districts since 2018.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

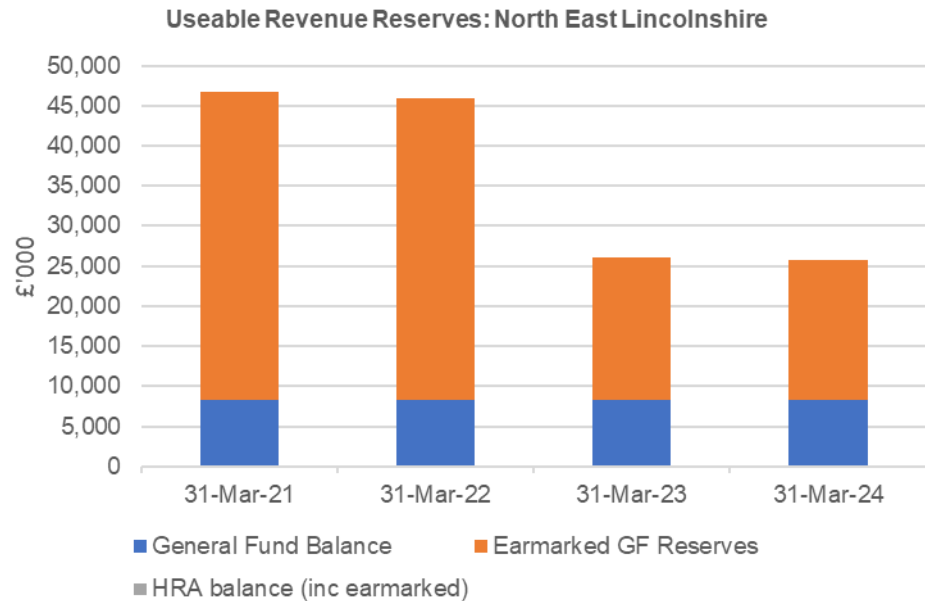
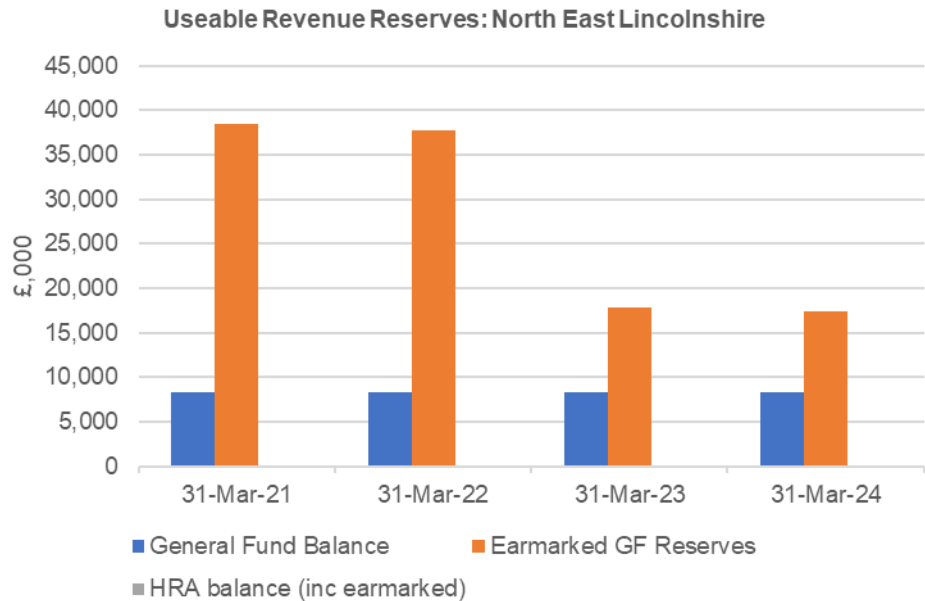
VFM arrangements – Financial Sustainability

Financial sustainability and reserves (continued)

We have reviewed the Council’s usable reserve balances over the last five years based on the published financial statements, with focus on the General Fund Balance, as this is the reserve with the most flexibility of use to allow the Council to deal with the future uncertainties, including Local Government funding:

- As set out on the previous page, the Council’s revenue reserves are below the median for comparable councils.
- Revenue Reserves are consistent with the prior year, being £26m as at 31 March 2024.

Overall, we are satisfied that the Council’s Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability but is something that Council need to continue to monitor and manage.

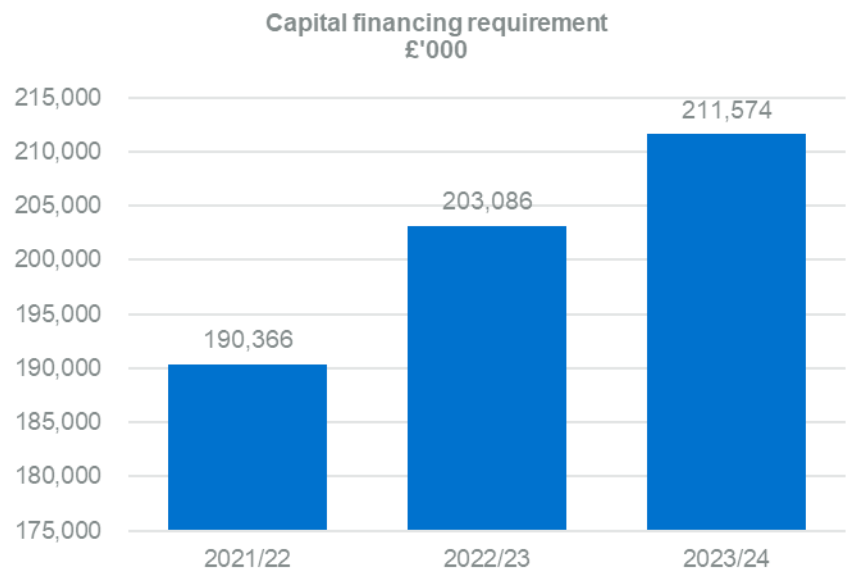
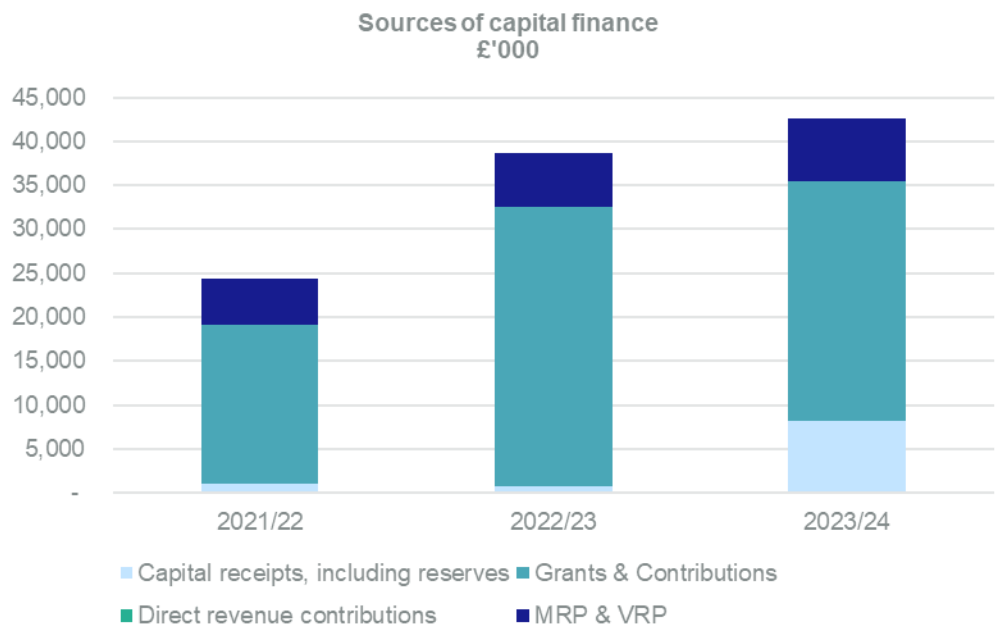


VFM arrangements – Financial Sustainability

Capital spend

We considered the Council's capital financing requirement as set out in Note 36 of the draft financial statements, which has increased to £211m in 2023/24, each increase representing a rise in the need to borrow to finance capital expenditure. We also considered how the £42m capital expenditure incurred in 2023/24 has been financed as well as the overall position on useable capital reserves, with no indication of a risk of significant weakness in arrangements.

Capital reserves	2021/22	2022/23	2023/24
Capital Receipts Reserve	9	8	14,014
Capital Grants Unapplied	4,738	5,933	8,359
Total	4,747	5,941	22,373



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Risk of significant weakness in arrangements	Outcome
<p>Capital receipts</p> <p>The financial position is linked to the issues in Children’s services, where the Council is seeking to make use of capital receipts to enact the transformation required to improve performance and manage rising costs. Whilst the Council’s intention to use capital receipts to fund transformation is a valid option, the financial position requires oversight through 2024/25. The Council needs to ensure appropriate arrangements are in place to apply and monitor the use of flexible capital receipts in line with relevant guidance and ensure only valid expenditure is funded via this mechanism. Additionally, the Council needs to ensure transformation expenditure translates into realised savings, which ought to be reflected in the regular updates provided to Scrutiny.</p>	<p>As included in our Audit Completion Report, our work has included, but not limited to:</p> <ul style="list-style-type: none">• Considering whether appropriate arrangements are in place to apply and monitor the use of flexible capital receipts in line with relevant guidance and ensure only valid expenditure is funded via this mechanism.• Drawing from our work on the financial statements to ensure any expenditure is consistent with the guidance• Considering the Council’s arrangements to quantify how transformation expenditure will translate into realised savings, which ought to be reflected in the regular updates provided to Members.• Considering what the effect would have been on the general fund had the expenditure not been capitalised. <p>With no evidence of a significant weakness in arrangements. Our work on testing of relevant expenditure was completed as part of our work on the financial statements, with no material issues arising.</p>

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2022/23	No new matters. Continuation of Children's Services
Significant weaknesses identified in 2023/24	No new matters. Continuation of Children's Services

Position brought forward from 2022/23

As set out in the table above, there were no new matters arising in 2022/23 in relation to governance reported.

Arrangements for monitoring and assessing risk, including internal controls

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Risk Management Annual Report, presented to the Audit & Governance Committee in July 2024 and the Head of Internal Audit Annual Report and Opinion 2023/24 also presented to the same committee meeting. This confirms there are arrangements in place to support risk management including the presentation and review of the Strategic Risk Register to the Corporate Governance Group and Assurance Group and Assurance Board.

Our review of minutes, confirmed the Audit & Governance Committee received an update on risk management in its meetings in July 2023, November 2023, and April 2024.

Internal Audit

We considered the Head of Internal Audit Annual Report and Opinion 2023/24, presented to Audit & Governance Committee in July 2024, which provided the following conclusions:

- "we can provide satisfactory assurance on the Council's risk management arrangements, subject to the need, in some areas, for the operational risk registers to be kept up to date...

- except for Children's Services for the reasons explained in section 2, we can provide satisfactory assurance on the effectiveness of the Council's control framework...
- In relation to the design and operation of the key financial systems which support the Council's Annual Statements of Accounts, and the reliability of the information produced by them, we can provide satisfactory assurance based upon the work audit has completed, particularly around the design of key system...
- we can provide satisfactory assurance on the council's governance arrangements."

From the work performed, we have not identified a risk of a significant weakness in the Council's arrangements.

VFM arrangements – Governance

Arrangements for budget setting and budgetary control

Our review of arrangements is supported by discussions with officers during the year and review of reports and the Council's arrangements for budget setting and updating the Medium-Term Financial Strategy are as expected, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to business plans and sources of funding.

We noted that Internal Audit carried out a review of Budget Monitoring in 2023/24 issuing a "satisfactory" level of assurance (per Internal Audit's rating system). We read management's self-assessment of compliance against CIPFA's Financial Management Code as presented to Audit & Governance Committee in July 2023 and did not identify a risk of significant weakness in arrangements.

In addition to the above, we read the outcome of an LGA Peer Review that was published in March 2023 that included the following comments:

- "There is sound financial governance in place and this is underpinned by strong leadership from the S.151 officer, the chief executive and the council's finance team..."
- "The financial information provided to cabinet appears to be good. It includes honest, risk-based assessments with scenarios to set out the scale of the challenge. Savings options are linked to wider strategic objectives where possible, for example decarbonisation and property rationalisation/agile working."

Our work on the financial statement audit has not identified any significant concerns over the Council's financial reporting arrangements.

The Council adopted its 2024/25 budget in February 2024, with a 2.98% increase in Council Tax plus a 2%2% Adult Social Care precept. The Budget, Finance And Business Plan 2024/25 – 2026/27 presented at that Council meeting included the required statement of the Section 151 Officer on the Robustness of Estimates and Adequacy of Reserves.

We reviewed the Quarter 2 financial performance report presented to Cabinet in November 2024, where Members were informed that at "the end of the second quarter of the 2024/25 financial year, the Council is forecasting a £1.5m overspend against budget. This represents a £1.7m improvement to the forecasted

position at the end of the first quarter." The level of budget variance does not present a risk of significant weakness in the Council's budget setting arrangements.

Further commentary on budget arrangements are included under the financial sustainability section of this report.

Arrangements for decision making and assurance

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

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

Audit & Governance Committee

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence. For North East Lincolnshire Council, the Audit & Governance Committee is a critical component of good governance.

We have attended numerous meetings of the Audit Committee during the year. We have considered minutes of meetings and supporting reports. Based on our attendance, the Audit & Governance Committee is adequately serviced and attended by officers as required.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the reporting criteria

Significant weakness in 2022/23	No new matters. Continuation of Children's Services
Significant weaknesses identified in 2023/24	No new matters. Continuation of Children's Services

Position brought forward from 2022/23

As set out in the table above, there were no new matters arising in 2022/23 in relation to improving economy, efficiencies and effectiveness reported.

Overall arrangements across this reporting criteria are consistent with prior years with no evidence of a significant weakness in arrangements, except for the position in Children’s Services, which is explained further on page 23.

Corporate planning and performance management arrangements

The Council’s arrangements for 2023/24 are consistent with the prior year, which were deemed adequate.

There is an up-to-date Council plan in place which is refreshed alongside the annual budget setting process. Our review of committee reports confirms Cabinet receive periodic (Quarterly) reports on performance which summarises performance against target and includes a traffic light rating system to analyse performance and take corrective action as required.

Partnerships

The Council has a long history of working with health partners, including formal partnership arrangements dating back to 2004 around Mental Health Services. The arrangements in place have been amended over time to reflect the changes in legislation relating to health and care with the last amendment to the partnership arrangement taking place in June 2022 immediately prior to the formal establishment of NHS Humber and North Yorkshire Integrated Care Board, who, from July 2022, took over responsibility for Section 75 contractual arrangements with North East Lincolnshire Council, for a pooled budget arrangement as part of the NHS 'Better Care Fund' national policy initiative.

During 2023/24, the Council and NHS Humber and North Yorkshire ICB have worked to update its Section 75 Agreement to take effect in 2024/25. We reviewed various reports presented to Members, including:

- report to the Health & Adult Social Care Scrutiny Panel in November 2023;
- reports to Audit & Governance Committee on the topic in February 2024 and July 2024;
- Section 75 agreement between North East Lincolnshire Council and Humber and North Yorkshire ICB presented to Cabinet in December 2023.

As evidence of arrangements in place, including scrutiny and oversight, prior to the extension and expansion of the existing Section 75 agreement. The Council will need to maintain appropriate arrangements and evaluate the effectiveness of the agreement for 2024/25 onwards.

Commissioning and procurement

Through our minute review we noted that a new Procurement Strategy and Social Value policy was adopted by Cabinet in November 2023. We also identified that, during 2023/24, Internal Audit carried out a review of central procurement arrangements, issuing a “satisfactory” assurance rating (Internal Audit’s rating), and are satisfied this does not raise a risk of significant weakness in arrangements. Further, our work on the financial statements has not identified any significant concerns regarding commissioning or procurement.

VFM arrangements



Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. This identified weakness is outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

Previously identified significant weakness in arrangements	Governance	Improving the 3Es	Recommendation(s) for improvement	Our views on the actions taken to date per our (April 2024)	Our views on the actions taken to date per our (January 2025)
<p>Children's Services</p> <p>Ofsted is the Office for Standards in Education, Children's Services and Skills. It inspects and regulates services that care for children and young people. The Authority's children's services were last inspected in 2017, when it was rated "Good". Ofsted has carried out focused visits in the intervening period with the most recent letter being dated in June 2021, but without changing the overall rating. In October 2021, Ofsted commenced an inspection into children's services, publishing its report on 26 November 2021. The overall effectiveness of children's services has been graded "Inadequate", citing weaknesses in assessment, planning and decision-making.</p> <p>The matters identified by Ofsted are relevant to the financial year ending 31 March 2021 and, in our view, indicate a significant weakness in the Authority's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) and for Improving Economy, Efficiency and Effectiveness (how the body uses information about its costs and performance to improve the way it manages and delivers its services) reporting.</p>			<p>In order to ensure systems, processes and training are in place to manage the risks relating to the safety and welfare of service users, the Authority must ensure it embeds and sustains the action plans that it has put in place to address the issues identified by Ofsted.</p> <p>In particular, it needs to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for service users and sustain the progress made to-date in implementing the actions to address the issues raised by Ofsted.</p>	<p>We have met with officers during the year, reviewed committee reports and minutes, and reviewed monitoring reports from Ofsted.</p> <p>Our review showed that there were arrangements in place to oversee and address the issues identified by Ofsted. The services, however, continue to remain "inadequate" overall.</p> <p>From our review of the above, we noted that a particular challenge for the Council has been the stability of the workforce. To better understand the context of workforce challenges, we considered a research report issued by the Local Government Association in October 2023 "A maturing approach to children's services improvement: updating the key enablers of progress", which claims that, in September 2022, there were 7,900 children's social worker vacancies and ongoing dependence on agency workers.</p>	<p>Based on our meetings with officers, review of Committee reports and reading of Ofsted monitoring reports (with the most recent published in October 2024), there continues to be evidence of arrangements in place to oversee and address the issues raised by Ofsted.</p> <p>We considered the Head of Internal Audit Opinion, presented in July 2024 that "we are not yet able to provide satisfactory assurance on the control environment within Children's Services. While it [sic] progress has been made, the new Children's Services leadership team recognises that there is ongoing work to further refine, refresh and develop the assurance framework."</p> <p>As reported by Ofsted Inspectors in October 2024, the Council has made progress across a range of areas including stability in the workforce and leadership. Despite the improvements, as at 31 March 2024, the services retained a formal rating of "inadequate". As a consequence, we have concluded that the significant weaknesses in arrangements as previous reported remains in place for 2023/24, with no escalation of our recommendation required.</p>

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts consolidation data

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office.

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit & Governance Committee. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows (subject to PSAA approval):

Area of work	2022/23	2023/24	2024/25
Planned fee in respect of our work under the Code of Audit Practice	£100,537	£302,972	£329,427
Additional fees in respect of the VFM Commentary	£10,000	N/A included in scale fee	N/A included in scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,700	N/A included in scale fee	N/A included in scale fee
Subtotal	£115,237	£302,972	£329,427
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315 Risk Assessment)	£9,500	£15,000	
Additional work in respect of IT ledger system	£6,500		
Other additional testing - implications of pension fund surpluses under IAS19 and IFRIC 14	£4,000		
Other additional testing – extrapolation errors per the Audit Completion Report	-	£2,372	
Additional fees in respect of the VFM Commentary – Significant Risks	£800	£2,568	
Total	£136,037	£322,912	£329,427

Appendices

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

Further information on our audit of the financial statements

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and summary of the detailed findings that were presented to the Audit & Governance Committee in February 2025.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements <p>There were no issues to bring to the attention of members</p>
<p>Valuation of the LGPS defined benefit pension</p> <p>The Council is an employer in the Local Government Pension Scheme. The defined benefit assets and liabilities are significant items in the Council's balance sheet and 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.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • Critically assessing the competency, objectivity and independence of the Pension Fund's Actuary; • Liaising with the auditors of the Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewing the appropriateness of the pension asset and liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information from a 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. <p>There is one unadjusted misstatement in relation to pensions reflecting the Council's share of an unadjusted error in the Pension Fund statement of accounts.</p>

Further information on our audit of the financial statements

Risk	Our audit response and findings
<p>Valuation of land, buildings and investment properties</p> <p>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, buildings and investment properties 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.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none">• 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 to provide information on regional valuation trends;• Testing a sample of assets valued during 2023/24, drawing support from our own expert, to source records and challenging key judgements made;• 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. <p>There were no issues to bring to the attention of members</p>

Contact

Forvis Mazars

Mark Surridge

Audit Partner

Mark.Surridge@Mazars.co.uk

Leah Parsons

Audit Senior Manager

Leah.Parsons@Mazars.co.uk

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