



[Draft] Auditor's Annual Report
Gedling Borough Council – year ended 31 March 2025

November 2025

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Gedling Borough Council. It has been prepared for the sole use of the Council's Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

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 Gedling Borough Council (‘the Council’) for the year ended 31 March 2025. 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 opinion on the financial statements for the year ended 31 March 2025 will be disclaimed.



Reporting to the group auditor

We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.



Value for Money arrangements

We did not identify any significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council’s arrangements.

Audit of the financial statements

Audit of the financial statements

Background

The statutory backstop established a date in legislation by which local authorities were required to publish their financial statements irrespective of whether their external auditor had obtained sufficient appropriate audit evidence to issue a non-disclaimed audit opinion. The introduction of the backstop led to many local authority audits being disclaimed.

Audit suppliers have worked with the National Audit Office (NAO) and the Financial Reporting Council (FRC) to develop guidance to support local audit suppliers to rebuild assurance after previous audits have been disclaimed. In June 2025, the NAO issued its guidance to auditors (called LARRIG) on the special considerations for rebuilding assurance: www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities.

Under normal circumstances and following a financial year where the auditor has given an unmodified opinion on the financial statements, auditors would usually rely on assurance obtained in the prior period to be satisfied that the opening balances in the current year are free from material error. Following the completion of audit procedures on in-year transactions, the auditor would usually be able to form an opinion on the current year's financial statements.

When a disclaimer of opinion has been issued in the prior periods, no such assurance can be taken and the auditor must design alternative audit procedures to be able to form a position on the current year's financial statements.

The audit reports issued to Gedling Borough Council since 2019/20 are set out in the table below:

Year:	Backstop date:	Form of audit report:	Date of audit report:
2019/20	N/A	Unmodified (Emphasis of Matter for Covid-19 impact on valuations)	18 th December 2020
2020/21	13-Dec-24	Unmodified	16 th March 2022
2021/22	13-Dec-24	Disclaimed	13 th December 2024
2022/23	13-Dec-24	Disclaimed	13 th December 2024
2023/24	28-Feb-25	Disclaimed	26-Feb-25

2024/25 audit of the financial statements

Our audit will be conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (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 2025 and of its financial performance for the year then ended.

A disclaimed opinion for the year ended 31 March 2025 is anticipated no later than the backstop date of February 2026.

Annual Governance Statement

Based on the work performed to date, we have not identified matters where, in our opinion, the governance statement does not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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	No	No	Yes – see page 12
 Governance	15	No	No	Yes – see page 16
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

There are no indications of a significant weakness in the Council's arrangements carried over from the previous year.

Arrangements for identification of financial pressures and bridging gaps and planning finances to support the sustainable delivery of services

Overall responsibilities for financial governance

We have assessed the Council's governance arrangements by examining key documents such as Council and committee reports, the Annual Governance Statement, and the 2024/25 Statement of Accounts. This review indicates that the Council fulfilled its duties in setting strategic priorities, approving budgets, and tracking financial performance to ensure services effectively meet the needs of its service users.

2024/25 and 2025/26 Budget Setting and Medium-Term Financial Planning

We have reviewed the budget setting process in respect of the 2024/25 financial year, including the Medium-Term Financial Plan (MTFP), and have identified no concerns. The Constitution of the Council requires the Leader to present, before 21 February each financial year, a draft Budget to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies. Through our review of committee reports and minutes we have confirmed that the General Fund Revenue Budget and MTFP for 2024/25 and 2025/26 were presented to Cabinet in February 2024 and February 2025 respectively, before being recommended to full Council. The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. This demonstrates that adequate arrangements were in place for budget setting and management, reflecting changes and does not present a risk of significant weakness in arrangements.

The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the Based on the work performed, the MTFS is prepared with due regard to other plans and strategies (for example workforce planning and capital) and there is a process in place for challenging assumptions.

The MTFP looks over a period of five years to identify medium term budget gaps. We have reviewed the 2024/25 and 2025/26 MTFPs, noting that the covering report provides Members with details of key assumptions and uncertainties. The MTFP provides the overarching framework for the Council to plan and manage its financial resources in alignment with the Council's vision and strategic priorities. The MTFP integrates revenue allocations, savings targets and capital investment, providing the budget for the next financial year and indicative budgets for future council tax levels.

The 2025/26 MTFP sets a total savings target of £3.3m across the five-year period to 2029/30. The current budget includes a modest contribution from the General Fund Reserve in 2025/26, which rises substantially in 2026/27 and 2027/28 to sustain existing service levels. From 1 April 2027, the budget anticipates the General Fund will be operating at the Council's minimum threshold, with no remaining capacity to cover funding shortfalls. This highlights a growing risk to the Council's financial sustainability, driven by rising costs and uncertain funding which are challenges currently faced by many local authorities.

Year	Net Budget Requirement (£000)	Total Resources Available (£000)	Budget Gap / (Surplus) (£000)
2025/26	15,584	15,528	56
2026/27	16,207	14,634	1,573
2027/28	16,754	14,718	2,036
2028/29	15,044	14,913	131
2029/30	14,941	14,933	9

Other recommendation: Regardless of the outcome of the Fair Funding Review, the Council needs to continue to strengthen the approach to budget setting and implement a recovery plan to bridge the budget gap to ensure services can be provided within available resources.

VFM arrangements – Financial Sustainability

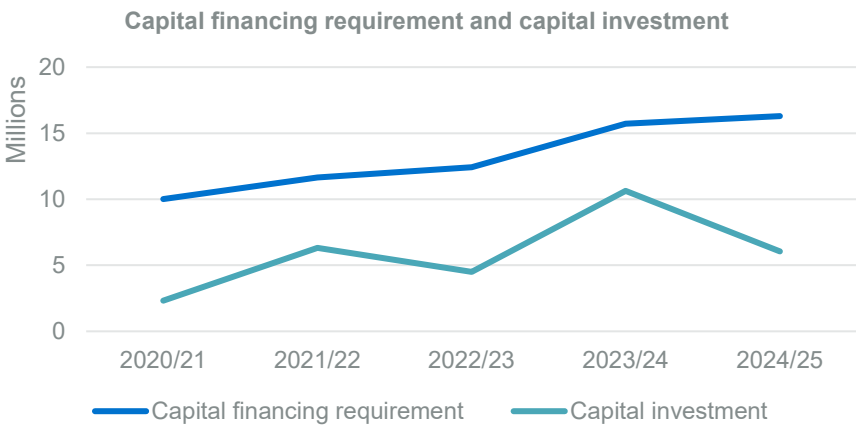
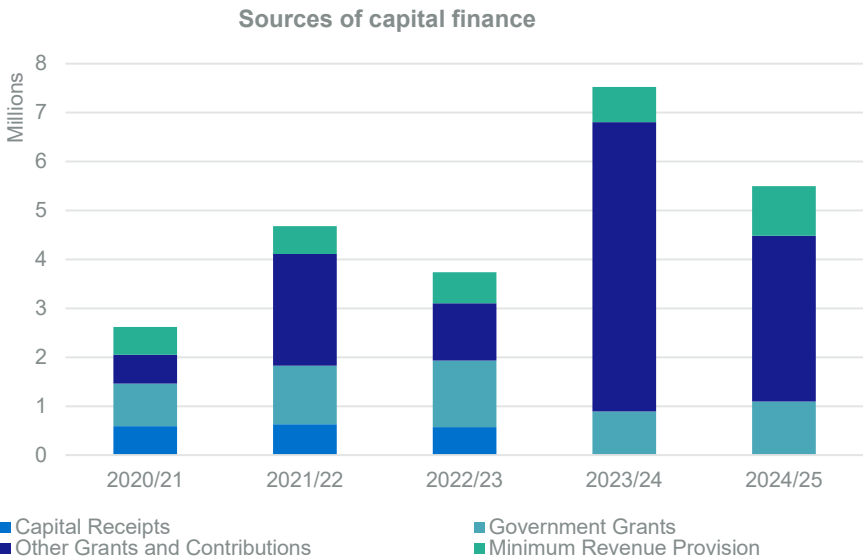
Overall commentary on the Financial Sustainability reporting criteria – continued

Capital Financing and Investment

We considered the Council's Capital Financing Requirement (CFR) as set out in the 2024/25 Statement of Accounts which has risen from just over £10m in 2020/21 to £16.293m 2024/25. The strongest increase over this period was seen between the 2022/23 and 2023/24 years which saw a 27.7%/£3.3m jump, while the rise between 2023/24 and 2024/25 was 3.6%/£0.564m. As shown in the charts on the right, this is consistent with the increases in the Council's asset base for these years. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through grants and contributions.

We reviewed the Council's Capital Investment Strategy for 2024/25 to 2028/29 which was presented to Cabinet in February 2024. The strategy sets out a framework for delivering capital projects that align with the Council's strategic priorities, particularly those outlined in the Gedling Plan. The strategy also integrates with the medium-term plan. Over the five-year period, the Council plans to invest approximately £21.3m in capital projects, with the largest share allocated in 2024/25. Key areas of focus include environmental services, economic development, corporate infrastructure, and digital transformation. Notable projects include a £2m investment in the Digital, Data & Technology Strategy to modernise service delivery, a £2.1m decarbonisation scheme to reduce emissions from Council properties, and a £2.2m expansion of temporary accommodation to meet rising demand. Funding for the programme will come from a mix of capital receipts, external grants, direct revenue contributions, and prudential borrowing. The strategy also includes ongoing commitments such as Disabled Facilities Grants and asset maintenance, ensuring continuity of essential services. All major projects will require robust business cases to demonstrate financial viability and alignment with Council priorities.

The Treasury Management Strategy, presented to the Cabinet at the same February 2024 meeting, has external debt remaining stable at £10.8m, the same level it has been since the year ended 31st March 2022. The capital programme principally funded by 'borrowing' internally against its own reserves and balances. The reports contain a review by the Council's treasury management advisors Link, who note that Gedling's closing capital financing requirement (underlying need to borrow to finance capital expenditure) as a proportion of total long-term assets is close to the average for similarly sized Councils.



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Minimum Revenue Provision (MRP)

The Minimum Revenue Provision (MRP) is a charge that the Council makes in its financial statements for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt i.e. the Capital Financing Requirement - CFR). We have confirmed that the Council's 2024/25 MRP Policy Statement was approved by full Council in March 2024 in line with statutory requirements.

The Council's MRP charge represents 6.2% of the closing CFR in 2024/25, an increase from 4.6% in 2023/24. We have confirmed that there has been no change in policy on the prior year and this increase is consistent with an increase in the Council's capital expenditure. The 2024/25 Treasury Management Statement also states that CFR is expect to rise in the short term before stabilising. The lower this percentage, the greater the risk of over-reliance on accounting measures to support the general fund budget, although it does not currently present a risk of significant weakness in arrangements, it is an area for continued scrutiny for the Council.

Reserves

The Council's reserves position provides some mitigation against future financial challenges and will support efforts to manage volatility, deliver savings and efficiencies, and fund the capital programme. However, the Council must continue to ensure that any use of reserves to smooth the financial position over the coming years is carefully planned. Reserves cannot be relied upon as a long-term solution to address funding gaps.

The purpose of the Council's General Fund reserve is to cover costs arising from unplanned or emergency events. It also serves as a financial buffer to help mitigate the risks the Council faces and can be used, to a limited extent, to smooth expenditure on a one-off basis across financial years. Earmarked reserves are held to support future planning and manage known risks, while unallocated reserves enable the Council to respond to immediate events and emergencies.

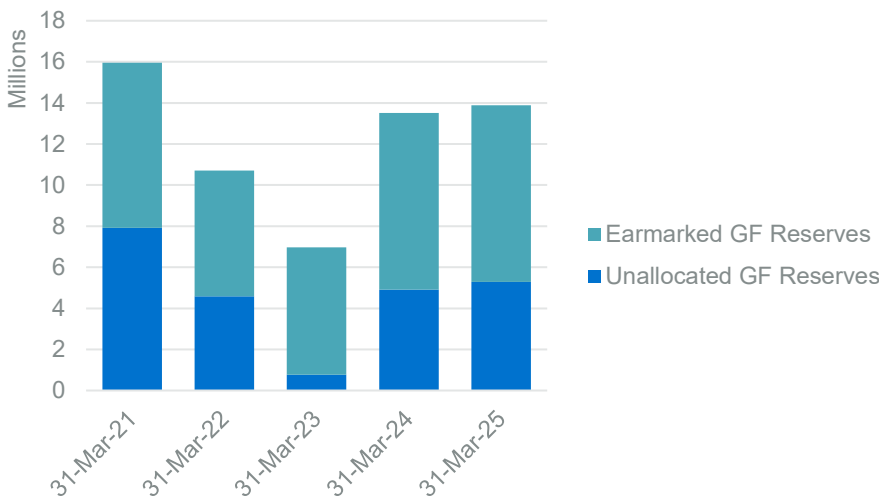
We have reviewed the Council's General Fund and Useable Capital Reserves, as illustrated in the charts opposite. The Council's reserves position appears robust and does not raise concerns regarding a significant weakness in its arrangements for securing financial sustainability. Our work has not identified any such risks.

We also analysed useable reserves as at 31 March 2025, as shown in the charts above:

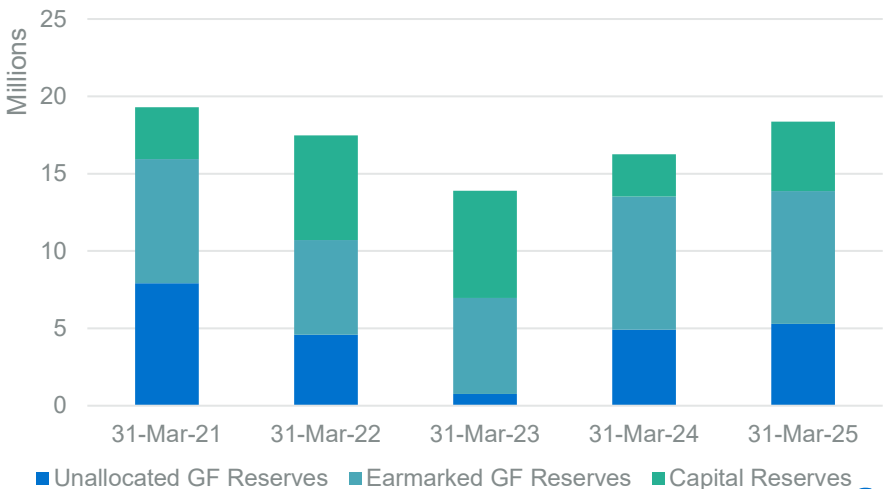
- General Fund balances: £13.886 million (£13.517 million at 31 March 2024)
- Useable capital reserves: £4.488 million (£2.736 million at 31 March 2024)

Based on the above considerations we have not identified evidence of a significant weakness in the Council's arrangements for securing Financial Sustainability for the year ended 31 March 2025

Useable Revenue Reserves: Gedling Borough Council



Total Useable Reserves: Gedling Borough Council



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

We identified a significant weakness in the Council's governance arrangements, which had been carried over into the prior year 2023/24. As explained on page 22, we are satisfied that the recommendations have now been effectively implemented to address this issue.

Arrangements for decision-making

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way it discharges its functions, having regard to a combination of effectiveness, economy and efficiency. In doing so, it is responsible for making proper arrangements for the governance of its affairs, the effective exercise of its functions and arrangements for the management of risk. The Council's core decision-making structure and arrangements are set out in detail within the Council's Constitution.

Our review of Council and Committee 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.

Gedling's arrangements are broadly in line with expectations for a district council. The Council has adopted a local code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).

Risk Management Framework

The Council has established risk management and monitoring arrangements. The Council has also defined the level of risk exposure that it thinks is acceptable in its Risk Appetite Statement. The Council's Audit Committee is responsible for providing independent assurance to the Council on the adequacy of the risk management framework and internal control environment. We have reviewed evidence and confirmed that the Audit Committee meets regularly and reviews its programme of work to maintain a focus on key aspects of governance and internal control.

A new Risk Management Framework which includes a strategy, policy, risk appetite statement and a risk management toolkit was approved and adopted at Cabinet on 28 March 2024. We have reviewed the Corporate Risk Management Scorecard for Q4 2024/25 as presented to Audit Committee on 24th June 2025, which demonstrates that it was regularly reviewed in year. The scorecard details the current level of assurance that can be provided against each corporate risk, and an update on actions that have been taken to

mitigate the risk, as well as actions that are still to be taken. This review was part of the Quarter 4 Corporate Risk Management update, which included changes in risk levels and updates on departmental risk assessments.

Audit Committee

The Council has an established Audit Committee and we have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. The Audit Committee is responsible for reviewing the effectiveness of risk management and promoting a culture of risk management awareness throughout the Council. We have attended Committee meetings throughout the year and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Based on the work we have performed, the Committee is adequately serviced and attended by officers as required and there is evidence of challenge by members of the Committee.

Counter-fraud and whistleblowing policies

The Council's arrangements for Counter fraud, corruption and whistleblowing and recorded on its website and we have reviewed the published documents, which include a whistleblowing policy and a fraud strategy. From our review, we noted that the fraud strategy was last updated in 2000 and was due for revision in 2023, but this has not been performed.

The UK's "Failure to Prevent Fraud" offense came into force on September 1, 2025, as part of the Economic Crime and Corporate Transparency Act 2023. This new law is relevant to local government and given the Council's recent experience with fraud, we would have expected a stronger and more timely evaluation of the effectiveness of arrangements.

Other recommendation: the Council needs to update its policies and counter-fraud strategy with utmost haste to ensure proper arrangements are in place to comply with the new failure to prevent fraud legislation. It should also ensure there is a comprehensive training and communication programme.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Internal Control

The Three Lines of Defence Model is a commonly held evaluation of how organisations develop arrangements to support effective risk management and governance.

- Operational management, including designing, operating, and implementing controls
- Risk management and compliance functions, reporting to senior management
- Internal audit, providing independent assurance and examination of controls, governance, and risk strategies

The Council's internal audit function is outsourced to BDO, who report to the Council, via the Audit Committee, on the adequacy and effectiveness of the internal control system. We have reviewed reports from the internal auditor including the Internal Audit Annual Report and Annual Statement of Assurance for 2023/24 (adopted by Cabinet in July 2024) as well as Internal Audit's confidential additional review on IT Agresso Controls from January 2024.

BDO's Internal Audit Annual Reports for 2023/24 and 2024/25 gave Moderate assurance, an improvement from Limited in 2022/23. The internal audit reports noted the 2024/25 SLT restructure, wider governance, and roles supporting transformation. SLT engagement with internal audit continued, with robust Audit Committee scrutiny strengthened by an independent member.

Arrangements for budget setting and budgetary control

The Council's Medium Term Financial Plan, which we confirmed was presented to Council on 6 March 2024 as part of the 2024/25 General Fund Revenue budget report, is subject to regular review and analyses the impact of income and expenditure. Performance forecasts are monitored and assessments completed on an ongoing basis throughout the year. We did not identify any evidence of unreasonable assumptions or unachievable savings in the MTFP. We are satisfied that the reports contain an adequate amount of detail regarding assumptions, including pay and inflation, and that these assumptions are not unreasonable.

The Council's Financial Regulations allow for the carry forward of capital and revenue budgets to the new financial year where there is an underspend against the approved budget. Given the extent of financial challenges facing the Council this underspend presents a positive outturn position for the Council and allows a contribution to reserves

We have reviewed the Council's budget setting and medium-term financial planning, and our review is supported by discussions with officers during the year. The Council has an established set of arrangements in place for budget setting and control, and no matters have been identified indicating a significant weakness in arrangements.

2024/25 Outturn

We have reviewed the General Fund revenue outturn for 2024/25 as presented to Cabinet in June 2025, showing a balanced net budget of £14.94m and a transfer to reserves of £0.209m. The Council's capital outturn showed an underspend of £3.4 with carry forwards of £3.2m.

Although the achievement of a balanced Net Council Budget is a positive result, it should be noted that there have been some service overspends to the Original Budget (approved by Council on the 6 March 2024) during 2024/25. For example, on Environmental Services which includes Waste, Parks & Street care and Transport & Fleet which had a controllable budget overspend of £301k against the original budget, largely resulting from an overspend on agency staff.

Based on the above considerations we have not identified evidence of a significant weakness in the Council's arrangements in relation to Governance for the year ended 31 March 2025

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 Improving Economy, Efficiency and Effectiveness reporting criteria

There are no indications of a significant weakness in the Council's arrangements carried over from the previous year.

Performance management

The Council maintains a 'Gedling Plan' (refreshed for 2024-2027) against which performance is monitored against the key priorities of Economy, Community, Place and The Council. Each of the areas has a detailed delivery plan in place with specific indicators to measure success. Targets are set using benchmarking, legislation, or internal standards. The Council produces an annual report that summarises performance through a suite of key performance indicators. Examples of KPIs include number of visits to leisure centres, affordable homes delivered and call centre response rate.

We have reviewed the 2024/25 report, including both Q4 and full-year performance, presented to members at the Overview and Scrutiny Committee on 21 July 2025. noting that as part of the annual review new indicators were added (e.g. number of anti-social incidents) and some indicators were removed as deemed no longer strategically relevant. We noted that some of the actions originally scheduled for 2024/25 are now scheduled to continue into 2025/26. The Council utilises a performance management system to track progress and prioritise overdue actions.

We have not identified a risk of significant weakness in arrangements.

Peer review and external regulators

The Local Government and Social Care Ombudsman (LGSCO) is the independent body responsible for investigating complaints made against public bodies where it is alleged there has been maladministration causing injustice. In their Annual Review Letter presented to Cabinet in October 2025, the Council received 11 complaints from the LGSCO, with two upheld. However, both were resolved satisfactorily through the Council's internal process, and the Ombudsman deemed no further investigation necessary. These related to delays in planning advice and incorrect enforcement action in Revenues. This was presented to members as part of the more comprehensive Complaints and Compliments annual report 2024/25.

From our consideration of the above we did not identify evidence of a significant weakness in arrangements.

Procurement

The Council has a Procurement Strategy which outlines how the procurement of goods, works and services is achieved. These documents provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

From our consideration of the above we did not identify evidence of a significant weakness in arrangements.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Partnerships: Local Government Reorganisation (LGR)

Local government reorganisation (LGR) is a complex undertaking that requires strategic foresight, collaborative leadership, and robust planning. It presents both opportunities and challenges for councils seeking to improve service delivery, financial sustainability, and democratic accountability. Effective planning is essential to ensure a smooth transition and long-term success.

Crucially, the Council will need ensure it puts in place robust arrangements to oversee the agreement and implementation of an agreed plan. This includes effective governance and committed leadership, such that there are clear arrangements for decision-making and manage relationships between partners, especially in joint or competing proposals.

We have confirmed that, in collaboration with other Nottinghamshire councils, Gedling complied with its obligations in respect of LGR during 2024/25. The interim plan was approved by full Council on 19th March 2025, which agreed for submission three structural options. The government's deadline for interim submissions was 21st March 2025. The Cabinet and Full Council meetings in July 2025 saw the approval of 'Option 1e' as Gedling's preferred final proposal, which would involve the creation of a unitary authority combining Nottingham City, Broxtowe and Rushcliffe with the rest of Nottinghamshire forming a secondary unitary. Additionally, it was resolved to continue collaboration with the other councils and support a county-wide engagement strategy (August-September 2025) and to prepare for the final proposal submission deadline of 28th November 2025.

During the transition period, each council will retain full sovereignty over its assets and liabilities. However, MHCLG expects local leaders to collaborate in establishing voluntary agreements that ensure prudent, coordinated, and value-for-money decisions on expenditure as proposals are developed.

There are a range of other factors to incorporate into future planning, including but not limited to:

- Robust financial planning, managing transition costs, but also addressing existing deficits and future funding uncertainties.
- Supporting the workforce, including engagement, morale and more detailed determination of employee contracts, redundancies and retention. This includes Ensuring there is sufficient resources available to implement programme management on the delivery of the finally agreed case.
- Maintaining continuity in services, but identifying opportunities/threats on duplication, gaps and service delivery models. This would also include effective consultation and engagement with residents, service users and other stakeholders.
- Considering the impact of technology as a barrier and enabler, including data protection, cyber resilience and ability to integrate systems.

Based on the above considerations we have not identified evidence of a significant weakness in the Council's arrangements in relation to Improving Economy, Efficiency and Effectiveness for the year ended 31 March 2025.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses, and made recommendations for improvement in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2024/25 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>In October 2024, a former Council Officer, who was dismissed in 2022, was found guilty of fraud by abuse of position, to the value of nearly £1m.</p> <p>When the fraud was identified in July 2022, the Council took various actions which included informing the police, and, in August 2022, engaging forensic specialists to assess and report on the situation. The Council also directed Internal Audit to examine the IT environment and identify financial controls and/or governance processes within the Council’s control environment that require improvement to reduce and mitigate risk. This Internal Audit review commenced in April 2023 and concluded in January 2024 and highlighted a range of significant deficiencies in controls including, but not limited to, privileged user access and payment controls for the year ending 31 March 2024 and made recommendations for improvement.</p> <p>The significant deficiencies noted by Internal Audit are evidence of a significant weakness in the Council’s governance arrangements, specifically how the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	<p>Governance</p>	<p>The Council should:</p> <ul style="list-style-type: none">• continue to implement all remaining recommendations raised by Internal Audit to address all aspects of the control environment that were found to be deficient;• ensure that arrangements to test the effectiveness of internal controls on a periodic basis, including any adjustments for changes in systems or processes that may have occurred are in place; and• ensure lessons learned are applied as part of its 2024-2027 Digital, Data and Technology Strategy	<p>For our 2024/25 VFM work, we reviewed actions since the fraud investigation and related internal audit reports.</p> <p>The 2023/24 AAR (Feb 2025) confirmed initial steps to reduce privileged access, with further work needed to redefine ICT roles.</p> <p>BDO’s Internal Audit Annual Reports for 2023/24 and 2024/25 gave Moderate assurance, an improvement from Limited in 2022/23. Reports noted the 2024/25 SLT restructure, wider governance, and roles supporting transformation. SLT engagement with internal audit has continued, with robust Audit Committee scrutiny strengthened by an independent member. Recommendations are tracked live for management oversight.</p> <p>We discussed progress with the s151 Officer in Dec 2024, Apr 2025, and Jul 2025. The privileged ‘AGSystem’ access has been reduced from 15 users to 3 (2 in finance, 1 in ICT), with restrictions and reporting in place.</p> <p>The Digital, Data and Technology Strategy 2024–27 addresses data security, cyber risk, and access management. In the new finance system (from Aug 2025) and privileged access has moved from finance to IT.</p>	<p>Based on our review of the actions taken by the Council during 2024/25 and to date, we are satisfied that the recommendations have been sufficiently implemented to address the previously reported significant weakness in this area.</p>

Other reporting responsibilities

Other reporting responsibilities

Wider 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 have received correspondence but none were eligible objections.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

Audit fees and other services

Fees for our work as the Council’s auditor

Below are our proposed fees for the delivery of our work under the Code of Audit Practice.

Area of work	2024/25 fees	2023/24 fees*
Scale fee in respect of our work under the Code of Audit Practice	£142,149 <i>For actual procedures performed: TBC – estimate £23,600</i>	£128,065 <i>Actual fee for procedures performed: £21,500</i>
Additional fees in respect of the VFM commentary	TBC – estimate £46,000	£42,261
Additional fees in relation to VFM risks of significant weakness in arrangements	TBC – estimate £6,200	£6,234
Other additional costs: Modified Audit Report	TBC	TBC
Total fees	£TBC	£69,995

*Our proposed fee is with PSAA for final approval, who have not yet finalised all fee variations for audits up to 2023/24.

Contact

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