

Report to Audit Committee

Subject: External Audit – Audit Strategy Memorandum and Draft Auditor's Annual Report 2025/26

Date: 20 October 2026

Author: Chief Finance and Section 151 Officer

1. Purpose of Report

To present the external auditor's Audit Strategy Memorandum and draft Auditor's Annual Report for the year ended 31 March 2026, and to inform Members of the planned audit scope, timetable, significant risks and rebuilding-assurance approach. As the 2025/26 audit timetable is not yet complete, the Auditor's Annual Report and the findings and conclusions within it remain in draft and subject to the outcome of the remaining audit work.

Recommendation:

THAT:

1. Members note the Audit Strategy Memorandum dated 20 October 2026 and the draft Auditor's Annual Report for the year ended 31 March 2026.
2. Members note the external auditor's provisional conclusions in the draft Auditor's Annual Report, including the anticipated disclaimer of opinion on the financial statements, the current assessment that no significant weaknesses have been identified in the Council's Value for Money arrangements, and the two draft recommendations relating to capital programme delivery and medium-term financial sustainability. These conclusions remain subject to completion of the 2025/26 audit.

2 Background

- 2.1 The Audit Strategy Memorandum, dated 20 October 2026, sets out the planned scope, approach and timing of the 2025/26 audit, the significant risks identified at the planning stage, the proposed work to rebuild audit assurance following prior-year disclaimer opinions, and the auditor's assessment of independence.
- 2.2 The memorandum explains that disclaimer opinions were issued for 2021/22, 2022/23, 2023/24 and 2024/25. As assurance is not available over all opening balances for 2025/26, the auditor anticipates a further disclaimer opinion for 2025/26 while undertaking targeted work on closing balances and key controls to support the rebuilding of assurance in later years.
- 2.3 The draft Auditor's Annual Report summarises work undertaken and the auditor's provisional findings for the year ended 31 March 2026. The full audit timetable has not yet been completed and the report, including its proposed conclusions and recommendations, is therefore subject to change following the remaining audit procedures. It currently anticipates a disclaimer of opinion, reflecting limitations on the audit evidence expected to be available within the applicable timetable; this is not a conclusion that the financial statements are misstated.
- 2.4 Based on the work completed to date, the draft Auditor's Annual Report does not identify any significant weaknesses in the Council's arrangements for financial sustainability, governance, or improving economy, efficiency and effectiveness. This assessment remains provisional until the 2025/26 audit is completed.

3 Proposal

- 3.1 The Committee is asked to note the Audit Strategy Memorandum at Appendix 1 and the draft Auditor's Annual Report at Appendix 2. Together, these documents set out the planned approach to the 2025/26 audit, the work to rebuild assurance following previous disclaimer opinions, and the provisional findings from the audit work completed to date.
- 3.2 The Audit Strategy Memorandum sets out a timetable from planning and risk assessment in August 2026 through to completion in January 2027. The principal significant risks are management override of controls, valuation of land and buildings, and valuation of the defined benefit pension asset or liability. The planned response includes testing relevant financial and IT

controls, journal testing, review of valuation methodologies and assumptions, and specialist support where appropriate.

- 3.3 The 2025/26 audit will begin the process of rebuilding assurance following the disclaimer opinions issued for 2021/22 to 2024/25. Work will focus on selected closing balances at 31 March 2026 and key controls. A further disclaimer opinion is anticipated for 2025/26 because assurance is not available over all brought-forward balances and in-year movements. Subject to successful completion of the planned work, the memorandum sets out an indicative progression towards qualified opinions in subsequent years. Timely provision of complete evidence and prompt responses to audit queries will be important to delivery of the programme.
- 3.4 Forvis Mazars LLP has confirmed its independence and compliance with the relevant ethical requirements, with no identified threats to independence or anticipated non-audit services.
- 3.5 Based on work completed to date, the draft Auditor's Annual Report records no significant inconsistencies between the Narrative Report and the auditor's knowledge of the Council. It also records no matters indicating that the Annual Governance Statement failed to comply with the applicable CIPFA/SOLACE guidance, was misleading or was inconsistent with the auditor's knowledge. These are provisional findings pending completion of the audit.
- 3.6 The draft report includes two proposed recommendations under the financial sustainability criterion. The first concerns continued management attention to capital programme delivery and the level of capital carry-forwards. The second recommends development and implementation of a sufficiently detailed medium-term financial recovery plan to avoid unsustainable planned use of reserves, including a realistic assessment of service affordability and a thorough review of the transformation and efficiency programme. The recommendations will be confirmed when the Auditor's Annual Report is finalised.
- 3.7 The report highlights that the Council's usable reserves provide short-term resilience but should not be relied upon as a recurring solution to the underlying funding gap. It also notes the importance of effective monitoring, timely corrective action, robust savings governance, continued oversight of procurement capacity and contract-management training, and active management of the risks associated with Local Government Reorganisation.
- 3.8 The auditor has not exercised any statutory reporting powers and did not receive any objections or questions from local electors or other parties. Work on the Council's Whole of Government Accounts return remains open pending confirmation from the National Audit Office that no further work is required.

4 Financial Implications

- 4.1 The proposed fee for the 2025/26 statutory audit is £115,000, exclusive of VAT. The Council's existing external audit budget is sufficient to meet this fee. The fee remains subject to adjustment and approval by Public Sector Audit Appointments Ltd depending on the outcome and extent of the audit procedures performed, and any approved variation will be managed and reported through the Council's established financial monitoring arrangements.

5 Legal implications

- 5.1 Under section 4 of the Local Audit and Accountability Act 2014, the Council's accounts must be audited by an auditor appointed under the Act. The external auditor's general duties are set out in section 20 of the Act and require the auditor to be satisfied, in auditing the accounts, that:

- The accounts comply with the requirements of the enactments that apply to them.
- Proper practices have been observed in the preparation of the Statement of Accounts, and that the statement presents a true and fair view.
- The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

When the auditor has completed the audit of the accounts, they must enter onto the Statement of Accounts:

- An auditor's opinion on the statement.
- A certificate that the audit has been completed in accordance with the 2014 Act.

In carrying out their functions, the auditor must comply with the Code of Audit Practice and have regard to guidance issued by the Comptroller and Auditor General under the Act. The 2024 Code of Audit Practice requires the auditor to report on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness, and to provide the required commentary and reporting to those charged with governance.

6 Local Government Reorganisation

- 6.1 On 16 July 2026, the Government announced its decision to implement a two-unitary model for Nottingham and Nottinghamshire. On 7 September 2026, the Government subsequently launched a rapid national review of the Local Government Reorganisation programme and paused implementation in 14 areas, including Nottingham and Nottinghamshire, while that review is undertaken. The Government has confirmed that it remains committed to effective and sustainable local government; however, the timetable and final

implementation arrangements for this area are currently uncertain. Local elections in May 2027 are expected to proceed on existing council boundaries unless further changes are announced.

- 6.2 The Government's review does not change the Council's statutory responsibilities or the scope of the external audit for 2025/26. The Audit Strategy Memorandum and the draft Auditor's Annual Report should nevertheless be read in the context of the pause. In particular, assumptions about the timing and form of transition, shadow arrangements and the future authority structure may need to be revisited. The draft Auditor's Annual Report already recognises Local Government Reorganisation as a significant strategic and operational uncertainty affecting financial planning, workforce capacity, service continuity, governance, assets, systems and transformation. Pending the outcome of the Government's review, the Council should continue proportionate transition planning, monitor costs and capacity pressures, maintain service delivery and preserve clear records and controls. No change to the external audit timetable has been notified as a result of the pause.

7 Equalities Implications

- 7.1 There are no equalities implications directly arising from this report.

8 Carbon Reduction/Environmental Sustainability Implications

- 8.1 There are no carbon reduction/environmental sustainability implications arising from this report.

9 Appendices

Appendix 1 – Audit Strategy Memorandum dated 20 October 2026 for the year ended 31 March 2026.

Appendix 2 – Draft Auditor's Annual Report year ended 31 March 2026

Statutory officer Approval:

Approved by: Chief Finance Officer

Date: 09.10.26

Approved by: Monitoring Officer

Date: 09.10.26

