

# Public Document Pack



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PUBLIC

To: Members of Audit Committee

Monday, 11 September 2023

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 19 September 2023** in the Council Chamber, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink that reads 'Helen E. Barrington'.

**Helen Barrington**  
**Director of Legal and Democratic Services**

## **A G E N D A**

1. Apologies for Absence
2. To receive declarations of interest (if any)
3. To confirm the minutes of the meeting held on 18 July 2023 (Pages 1 - 6)
4. Audit Services Progress Report 31 July 2023 (Pages 7 - 42)
5. Corporate Risk Management Update (2023-24 Quarter 1)
6. To consider the report of the External Auditor on Audit Strategy Memorandums (Pages 43 - 108)

7. Exclusion of the Public

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph xx of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Part II - EXEMPT ITEMS**

8. To confirm the exempt minutes of the meeting held on 18 July 2023 (Pages 109 - 110)
9. Counter Fraud Update (Pages 111 - 136)

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**MINUTES** of a meeting of the **AUDIT COMMITTEE** held on Tuesday, 18 July 2023 in the Council Chamber, County Hall, Matlock.

## **PRESENT**

Councillor G Musson (in the Chair)

Councillors R Parkinson, N Atkin, R Mihaly, J Nelson and P Rose.

Apologies for absence were submitted for J Pressley (Mazars).

Officers present: D Ashcroft, N Bailey, T Kearsey, M Kenyon, J Lakin, E Scriven, P Spencer and S Stevens.

### **30/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)**

There were no declarations of interest.

### **31/23 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 21 MARCH 2023**

The minutes of the meeting held on 21 March 2023 were confirmed as a correct record.

### **32/23 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL**

In order to provide members with the necessary assurances around the effectiveness of the system of internal control, it was appropriate to consider and reflect on the work of the Audit Committee, the assurances received from the internal and external audit and evidence from the statement of accounts including the Annual Governance Statement which would be considered alongside the draft accounts for 2022-23.

Members asked if there were sufficient controls in place with regard to the arrangement the Authority had with Suffolk County Council or any other outside bodies. Internal Audit reported that they were currently undertaking a review of the governance arrangements.

### **RESOLVED:**

That the Audit Committee considers the information provided in the report as evidence of the effective operation of the internal control

system.

**33/23**     **STATEMENT OF ACCOUNTS 2021-22 AND 2022-23**

At the meeting of the Audit Committee on 29 November 2022, members were informed that the Council had intended to publish a notice of delay in publishing its audited 2021-22 Statement of Accounts, due to a national issue on accounting for infrastructure assets. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued its Bulletin 'Accounting for infrastructure Assets – Temporary Solution' on 11 January 2023. Discussions with the Council's auditors on the interpretation of the Bulletin had concluded in early March 2023 and had resulted in minor disclosure changes to the 2021-22 Accounts.

However, the audit of these accounts had yet to be concluded because of a further national issue that had emerged at the time which required the Council to obtain an updated IAS 19 Report to reflect the March 2022 actuarial valuation from the Fund's Actuary. The Council had received this updated IAS Report on 15 June 2023 and this updated Actuary's Report had resulted in revised LGPS adjustments and disclosures in the Council's accounts. The Council was working closely with the external auditor to ensure that the 2021-22 audit was concluded as soon as possible and reported to full Council, which had originally been scheduled for February 2023.

These adjustments to the 2021-22 Statement of Accounts closing balances had impacted on the 2022-23 opening balances which had required adjustments to the draft pre-audit Statement of Accounts 2022-23. The Council's external audit was scheduled to begin on 31 July 2023 and the approved Statement of Accounts would be reported to full Council in February 2024.

**RESOLVED** that the Audit Committee:

- a) Gives final approval for the updated Statement of Accounts 2021-22; and
- b) Notes the pre-audit Statement of Accounts 2022-23, prior to approval of the post-audit accounts to an Audit Committee meeting later in the year (yet to be scheduled).

**34/23**     **ANNUAL AUDIT REPORT 2022-23**

Members were provided with the Audit Services Annual Report for 2022-

23 and the Head of Internal Audit opinion on the adequacy of the Council's arrangements for governance, risk management and control.

Reasonable coverage of the approved 2022-23 Audit Plan had been provided across a number of the key risk areas, although work in corporate activities and the Children's Services and Place departments had been reduced. Assurance levels across the Council's ICT service had continued to be limited due to the availability of staff within the service to support the reviews.

A small number of school and establishment visits had been undertaken in 2022-23. Caveats had been added to the overall opinion, to recognise the impact of audits not delivered. The outcome of the Audit Performance for 2022-23 was highlighted, with 95% of planned days having been delivered.

In giving an audit opinion, it was noted that assurance could never be absolute and completion of the Audit Plan had been affected by several factors. The results of the work undertaken by Internal Audit during the year, together with other sources of assurance, in the majority of instances supported a satisfactory annual opinion on the Council's framework of governance, risk management and control. However, as some aspects of the Audit Plan could not be undertaken, management failings identified during audit investigations and the reduced audit coverage across elements of ICT systems, some caveats were placed on the overall opinion.

The Committee were informed of how similar limitations could be avoided in 2023-24 and beyond and improvements had already been made in certain areas since the end of 2022-23.

Members once again raised concerns with regard to the lack of engagement from the ICT division and expressed disappointment with the lack of response from some Managers with regard to implementing recommendations following a review. It was also felt that sections within departments were not engaging in the audit process and was there a role for this Committee to play. It was pointed out that the new Head of Internal Audit would relay these discussions in his meetings with Executive Directors, when he was in post.

The Committee was informed that an appointment had been made to the post of Assistant Director of Finance (Audit) and Mark Lunn, the successful applicant would take up this position at the end of July.

**RESOLVED** that the Audit Committee notes:

- a) The Annual Audit Report for 2022-23 and overall assurance opinion;
- b) The outcomes of the Audit work completed; and
- c) The performance of the Audit Services Unit during this period.

**35/23     ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY**

The Anti-Fraud and Anti-Corruption Strategy outlined the Council's approach to the prevention and detection of fraud and corruption, and it provided a clear set of standards and guidance for all employees, elected members, contractors and residents. The Fraud Response Plan provided direction on how suspected fraud could be reported and provided details on how such reports would be investigated.

A full review had now been undertaken to ensure that these documents accurately reflected the Council's current arrangements and introduced new performance measure by which counter fraud activities could be measured. As part of the review, the Fraud Response Plan had now been incorporated into the Anti-Fraud and Anti-Corruption Strategy to produce a consolidated document.

**RESOLVED** that the Audit Committee notes that a review of the Anti-Fraud and Anti-Corruption Strategy has taken place and approves the amended policy attached at Appendix 2 to the report.

**36/23     CORPORATE RISK MANAGEMENT UPDATE (2022-23 QUARTER 4)**

The Committee received an update on current risk management issues and were asked to review the Council's strategic risk register. This report covered updates to the register up to the end of Quarter 4 (31 March 2023).

A few external uncertainties continued to impact on the Council. Notably, the war in Ukraine and broader economic issues affected the Council's financial risk through high interest rates, energy and supply chain costs. Cyber-attack was a constant challenge. Considerable work was ongoing to ensure the Council's data was kept secure and to meet more stringent cyber-security standards. In the meantime, the Council continued to self-insure for cyber risks.

All risks would be migrated to the new APEX risk database by 31 July

2023. For the first time, risk owners would be able to directly input their risk data online, beginning with their Q2 updates by the end of September 2023. Having risk data in APEX also meant that improved performance reports could be provided to senior officers and elected members to improve governance.

A summary of risks on the current strategic risk register was shown in Table 1 of the report and the full register was shown at Appendix 2 of the report, with the Q4 update for each risk highlighted.

**RESOLVED** that the Committee notes the report.

**37/23**      **EXCLUSION OF THE PUBLIC**

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**38/23**      **TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 21 MARCH 2023**

The exempt minutes of the meeting held on 21 March 2023 were confirmed as a correct record.

**39/23**      **OVERVIEW OF ADULT SOCIAL CARE & HEALTH RISKS**

**RESOLVED** that the Committee notes the recommendation in the not for publication report.

The meeting finished at 4.43 pm

The meeting finished at 4.43 pm

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**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**19 September 2023**

**Report of the Assistant Director of Finance (Audit)**

**Audit Services Unit – Progress Against Audit Plan 2023-24**

**1. Purpose**

- 1.1 To inform Members of the progress against the approved Audit Services Plan for 2023-24 as at 31 July 2023.

**2. Information and Analysis**

- 2.1 At the meeting of this Committee held on 21 March 2023, Members approved the Audit Services Plan for 2023-24. The Plan was formulated from a risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors.
- 2.2 In accordance with the Audit Committee's Terms of Reference this report updates Members on progress against the Plan for the four months to 31 July 2023 and represents work undertaken during that period, which is detailed in the progress report. An analysis of the progress with the Unit's Key Performance Indicators (KPIs) are also included in the progress report.
- 2.3 In common with previous years, some work forming part of last year's approved Audit Services Plan (2022-23) was completed and reported in the current year. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

### Operational Matters

- 2.4 This is the first progress report for 2023-24. Although only 4 months into the plan period, we are pleased to present to the committee a total of 17 audit reports (11 for 2022-23 and 6 for 2023-24). In addition to the 17 audit reports, we have issued 3 further draft reports (1 for 2022-23 and 2 for 2023-24).
- 2.5 Whilst the number of investigations is currently impacting on the scheduling of reviews, steps are being taken to ensure impact on delivery of the audit plan is minimised. The Assistant Director of Finance (Audit) has met with the Monitoring Officer to ensure investigation work done by Audit Services is correctly allocated. A revised engagement model with senior management is being implemented to better enable audits to be timed accordingly, which will ensure timely delivery of audits in the plan. This includes audit attendance at Departmental Management Team meetings and a key contact within the ICT service team to support for scoping of ICT reviews and the coordination of recommendation actions.

### Audit Resources

- 2.6 The Audit Plan for 2023-24 was approved with a reduction in staffing levels as part of wider budget saving measures, with two posts (Senior Auditor & Auditor) removed from the structure. At that time, both a Senior Auditor post and the Assistant Director of Finance (Audit) were vacant.
- 2.7 In June 2023, an internal appointment was made to the Senior Auditor position, which has created a vacancy at the Auditor level. In the same period, the Audit Clerk, who also undertook a number of audit duties, has left the Council and this post is currently being kept vacant. A decision will be made later in the year on the approach to filling the vacancies. On 31 July 2023, Mark Lunn started in the role of the Assistant Director of Finance (Audit).

### Audit Days

- 2.8 At 31 July 2023, a total of 694 productive days have been delivered which is below the anticipated 779, however the reasons for the shortfall in productive days within this period mainly includes staff vacancies, the completion of staff training and PDRs. Whilst this equates to 11% of the total number of productive days, we do not anticipate that this will impact on the ability to deliver the annual Head of Internal Audit Opinion in the Annual Report.

### **3. Consultation**

3.1 No consultation is required.

### **4. Alternative Options Considered**

4.1 N/A. Article 11 of the Council's Constitution requires the Audit Committee to monitor progress against the Annual Audit Plan.

### **5. Implications**

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

### **6. Background Papers**

6.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Services, County Hall.

### **7. Appendices**

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Progress Report up to 31 July 2023.

**8. Recommendations**

- 8.1 That Audit Committee are asked to note the performance of the Audit Services Unit during this period.

**9. Reasons for Recommendation(s)**

- 9.1 To note that the Council is complying with the requirements of the Council's Constitution.

**Report Author:**

**Mark Lunn**

**Contact details:**

mark.lunn@derbyshire.gov.uk

**Implications**

**Financial**

1.1 None.

**Legal**

2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.

2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

**Human Resources**

3.1 None.

**Information Technology**

4.1 None.

**Equalities Impact**

5.1 None.

**Corporate objectives and priorities for change**

6.1 The work of Audit staff supports the Council Plan Refresh 2023-25 key actions for high performing, value for money and resident focused services, by independently assessing Council services and activities.

**Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.

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# **Audit Services Unit**

## **Progress Against Audit Plan 2023-24**

### **31 July 2023**

Page 13

**Mark Lunn**  
**Assistant Director of Finance (Audit)**



# Background to the Progress Report

At the Audit Committee meeting held on 21 March 2023, Members approved the Audit Services Plan for 2023-24, which had been formulated from our risk assessment using a wide range of sources including:

- the Council Plan
- the Council’s Strategic Risk Register
- Departmental Risk Registers
- Service Plans
- meetings with Executive Directors and Directors.  
(Including Managing Director (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal and Democratic Services (Monitoring Officer).

In accordance with the Audit Committee’s Terms of Reference this report updates Members on progress against the Plan for the four months to 31 July 2023 and represents work undertaken during this period which is detailed in **Appendix 1**. An analysis of the priority criteria for Audit recommendations and assurance levels is also included in **Appendix 1**.

In common with previous years, elements of work forming part of last year’s approved Audit Services Plan were completed and reported in the current year. Where appropriate, Audit staff routinely follow up progress against agreed recommendations as part of subsequent work, in the area under review.

All work undertaken by Audit Services is conducted in accordance with the standards required by the Public Sector Internal Audit Standards (PSIAS) and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council’s Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

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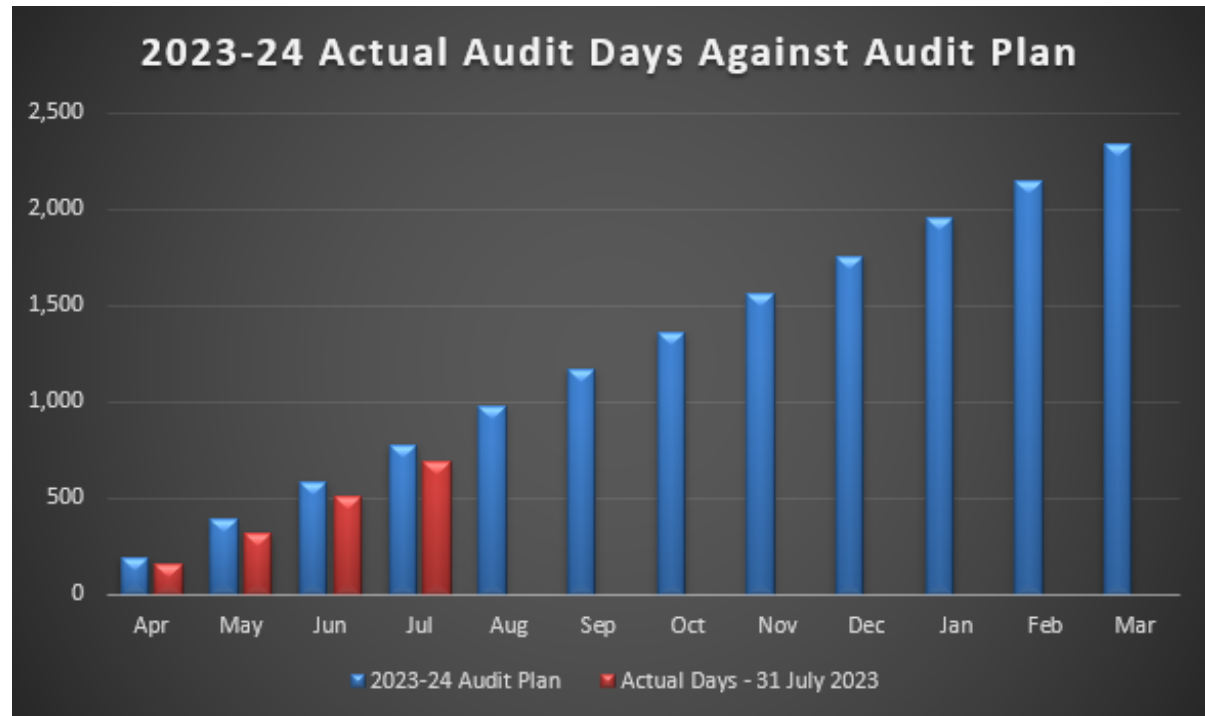
# Current Progress

This is the first progress report for 2023-24. Although only 4 months into the plan period, we are pleased to present to the committee a total of 17 audit reports (11 for 2022-23 and 6 for 2023-24). In addition to the 17 audit reports, we have issued 3 further draft reports (1 for 2022-23 and 2 for 2023-24).

Whilst the number of investigations is currently impacting on the scheduling of reviews, steps are being taken to ensure impact on delivery of the audit plan is minimised. The Assistant Director of Finance (Audit) has met with the Monitoring Officer to ensure investigation work done by Audit Services is correctly allocated. A revised engagement model with senior management is being implemented to better enable audits to be timed accordingly, which will ensure timely delivery of audits in the plan. This includes audit attendance at Departmental Management Team meetings and a key contact within the ICT service team to support for scoping of ICT reviews and the coordination of recommendation actions.

As is usually the case, at this point in the audit year, the majority of reports issued relate to the completion of the previous year Audit Plan. Areas where the Audit team are a good way through the fieldwork for the 2023-24 reviews include:

- Derbyshire Shared Care Record
- Phoenix Imprest System
- Regeneration
- Derbyshire Records Office & Records Management
- Fleet Services
- Human Resources Management
- Accounts Receivable
- Website Development.



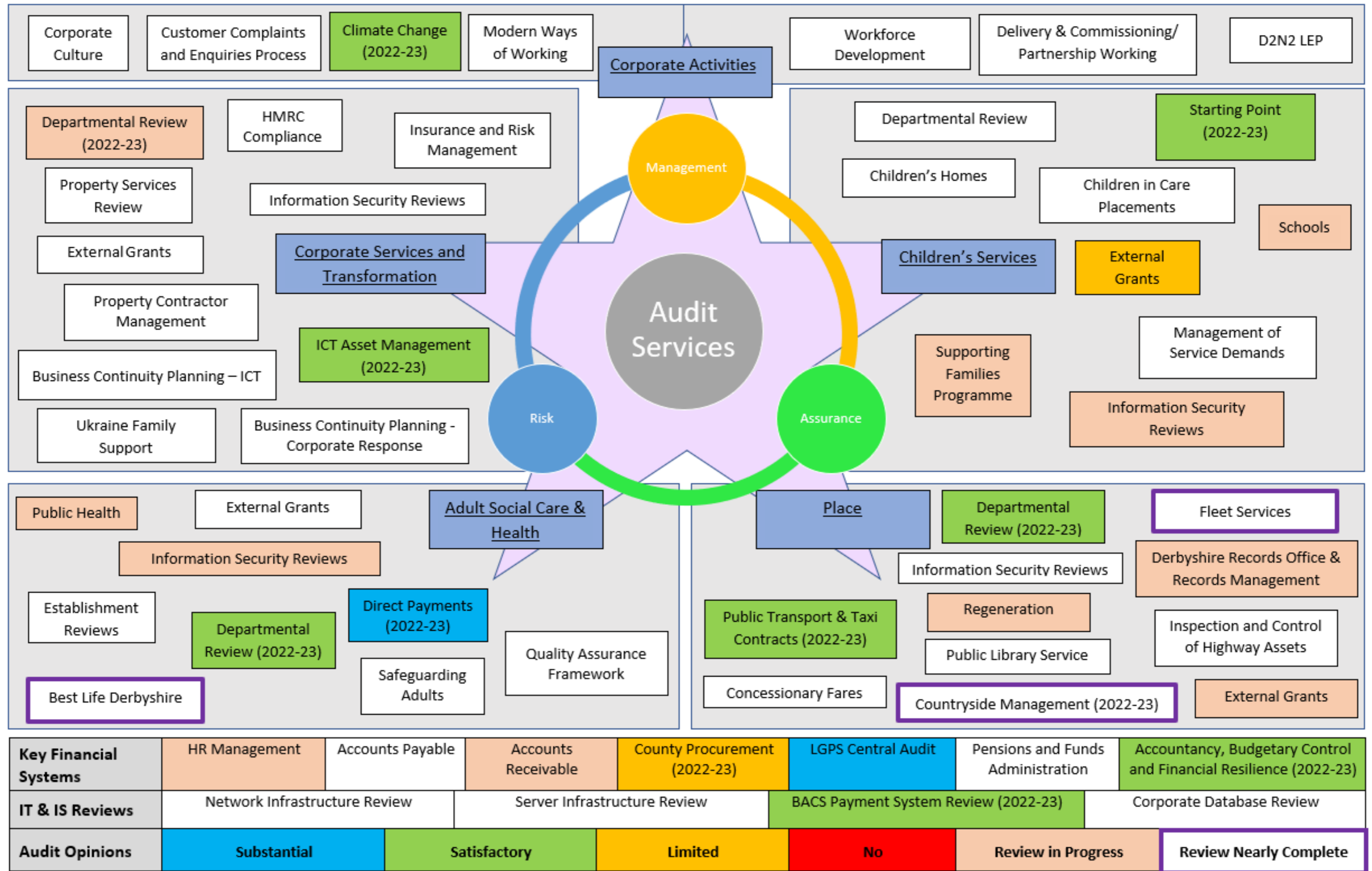
The current Audit performance against the 2023-24 approved Plan is shown below:

Overall Performance	2022-23	2023-24	All Opinions	2022-23	2023-24
Days within the Approved Audit Plan	2,772	2,337	Substantial	13	2
Actual days delivered to date	2,633	694	Satisfactory	39	13
Percentage of Audit Days Delivered	94.99%	29.70%	Limited	9	2
Total Number of Reports Issued	86	24	No	0	0
Reports Issued Since Last Progress Report	11	6	Others (including letters)	24	7
Draft Reports Issued	2	1	Total	85	24

It should be noted that as at 31 July the actual days 694 is below the anticipated 779, however the reasons for the shortfall in productive days within this period is explained on page 6, although mainly includes staff vacancies, the completion of staff training and PDRs. Whilst this equates to 11% of the total number of productive days, we do not anticipate that this will impact on the ability to deliver the annual Head of Internal Audit Opinion in the Annual Report.

Detailed analysis of Audit work is included in the Audit Resources and Activities section below (page 6 – 17) with a summary of work against the agreed annual plan provided in **Appendix 1**.

# Summary of Audit Opinions (Reports Issued up to 31 July 2023)



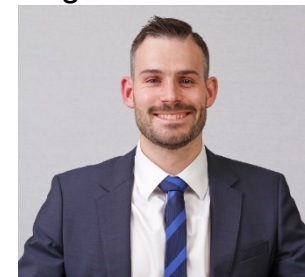
## Audit Resources and Activities

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The Audit Plan for 2023-24 was approved with a reduction in staffing levels as part of wider budget saving measures, with two posts (Senior Auditor & Auditor) removed from the structure. At that time, both a Senior Auditor post and the Assistant Director of Finance (Audit) were vacant, see **Appendix 2** for full details.

In June 2023, an internal appointment was made to the Senior Auditor position, which has created a vacancy at the Auditor level. In the same period, the Audit Clerk, who also undertook a number of audit duties, has left the Council and this post is currently being kept vacant. A decision will be made later in the year on the approach to filling the vacancies.

On 31 July 2023, Mark Lunn started in the role of the Assistant Director of Finance (Audit). Mark began his internal audit career with Leeds City Council before joining Mazars, where he acted as Head of Internal Audit across a range of public sector organisations across the Midlands.



### Key Performance Indicators (KPIs)

Details of the current outcomes for the 2023-24 Audit Plan up to 31 July 2023, are summarised at **Appendix 3** together with details of previous years' activities to enable a comparison. The vacancies in the team to date has meant that 89% of the audit days have been delivered. Moreover, the Audit Managers acting up to Assistant Director of Finance (Audit) has also impacted on the capacity of management to review and issue audit reports within target. The unit is on track to complete its quality assurance reviews and it is positive to report that the completed client satisfaction questionnaires currently rate audit as good or very good. As noted in discussions with the Chair of Audit Committee the KPI's is an area for review and development.

### Corporate Governance

The Council's Corporate Governance Group continues to meet on a regular basis and whilst it maintains oversight of the Annual Governance Statement Action Plan, this has been delegated to the CST Departmental Management Team to implement the necessary improvements. The Group has also held a lessons learned workshop to identify any areas where the Council could be considered to be at risk, based on the experience and practices of other local authorities where Public Interest Reports have been issued. The key elements and outcomes of the lessons learnt workshop have been reported to CMT in June 2023, alongside presentation of the Annual Governance Statement (AGS).

## External Quality Assessment (EQA)

The PSIAS requires external quality assurance (EQA) assessments of Audit Services every five years. The last assessment was conducted by Chartered Institute of Public Finance and Accountancy (CIPFA) in 2019 and is therefore due to be completed by 2024. A procurement exercise has commenced to undertake the next EQA. In line with the new Assistant Director of Finance (Audit) starting in post they have requested this be completed by the end of 2023 to help inform areas of priority for the Audit Services Team. Audit Management spoke with three suppliers and have selected the Institute of Internal Auditors (IIA) to carry out the Council's EQA. As part of the assessment the external assessors will seek feedback from key stakeholders and communications around the approach will be sent to stakeholders nearer the time.

## Counter Fraud Arrangements

Marked progress has been made by the Unit in the phased delivery of the Anti-Fraud and Anti-Corruption Strategy that was approved by this Committee on 18 July 2023. Details on this, together with the current position of the National Fraud Initiative (NFI) 2022-23 exercise are included under a separate agenda item to provide Members with a counter fraud update.

## Cyber Security and ICT Resources

The recurrent theme drawn from the recently issued National Cyber Security Centre (NCSC) cyber vulnerabilities advisory issued in August 2023, is that a significant number of cyber-attacks are being targeted against known software vulnerabilities (including older issues), rather than recently discovered matters. The article reminds all organisations of the importance of ensuring the basic principles of good information and system security are in place and embedded across key service areas:

- Effective patch management including the prioritisation of known vulnerabilities
- Use of multifactor authentication
- Access to systems and user roles are subject to regular review
- Regular vulnerability scanning and deployment of anti-virus/ malware software
- Regular and trusted back up arrangements
- Cyber incident plan.

Key elements of the NCSC guidance will be used to support the ICT reviews included within the 2023-24 audit plan.

## Detailed Analysis - Corporate Activities

Departmental Performance	2022-23	2023-24	Departmental Opinions	2022-23	2023-24
Days within the Approved Audit Plan	1,000	934	Substantial	2	-
Actual days delivered to date	1,007	281	Satisfactory	-	1
Percentage of Audit Days Delivered	100%	30.1%	Limited	-	-
Number of Reports Issued	15	7	No	-	-
			Total (including letters)	12	6

### Climate Change (2022-23) – Satisfactory Assurance Report Issued

The purpose of this Audit was to evaluate the effectiveness and progress of the Council's climate change programme. Overall progress towards achieving the Council's climate change action plan is progressing well, although there are some key areas that are behind target. This included the review of the Council's estate, sustainable procurement and the implementation of the Low Emission Vehicle Infrastructure (LEVI) Strategy. However, it was considered that there is still time for these projects to be implemented within the timeframe of the Climate Change Strategy.

### Audit Investigations

The number of Audit Investigations increased during 2022-23, with further reviews commencing in the first 4 months of 2023-24. Whilst time is budgeted for as part of the Annual Audit Plan, the increase in time has potential impacts on the ability to delivery other elements of the internal audit plan. As noted on page 3 steps are being taken to limit such impacts and ensure efficient and effective use of audit time.

Audit Services have issued 3 reports and 3 letters in the period which identify areas where the Council's control framework could be strengthened and improved in order to prevent against and detect potential activities in the future.

## Detailed Analysis - Corporate Services and Transformation

Departmental Performance	2022-23	2023-24	Departmental Opinions	2022-23	2023-24
Days within the Approved Audit Plan	660	690	Substantial	5	1
Actual days delivered to date	555	160	Satisfactory	8	3
Percentage of Audit Days Delivered	84.1%	23.2%	Limited	2	1
Number of Reports Issued	17	6	No	-	-
			Other (including letters)	2	1

### Accountancy & Budgetary Control (2022-23) – 2 Reports Issued – 1 Substantial Assurance, 1 Satisfactory Assurance

The Audit of Accountancy and Budgetary Control is split into 2 separate reviews due to the timing of activities and processes that take place within the finance function. The first phase concentrated on budget setting, transaction recording, year-end procedures and capital accounting, with the second phase considering the adequacy of resource, budget monitoring procedures, the administration of grant funding and Council's financial resilience. Whilst the initial review gave rise to a substantial opinion, the level of assurance was reduced, reflecting the significant shortfalls in the processing of grants received and, recognition of the overall reducing financial resilience of the Council due to budget pressures and ongoing withdrawals from reserves.

### BACS Payment System (2022-23) – Satisfactory Assurance Report Issued

The BACS process is a critical function supporting the Council's financial operations which is used to facilitate payroll, pension and payments to the Council's creditors. Consequently, a failure of the BACS process has the potential to result in significant reputational damage and financial penalties to the Council. The review concluded that overall, the BACS service is well managed with most operational procedures embedded as part of business-as-usual arrangements. Although areas for improvement were identified in respect of the review of Audit logs, contractual arrangements with third parties and updates to the Business Continuity Guidance.



## ICT Asset Management (2022-23) – Satisfactory Assurance Report Issued

Due to the annual value of ICT equipment procured by the Council and the potential cyber risk, should devices not be configured and managed effectively ICT Asset Management was included within the 2022-23 Audit Plan. To ensure the Audit was targeted at the areas of significant risk, the review was split into two distinct elements: ‘Operations’ and ‘Efficiencies’. From an operational perspective, the Team has fundamentally sound systems in place to manage and maintain the Council’s ICT equipment, which has been enhanced through the widespread implementation of the Halo Self Service portal. However, it was recommended that efficiencies may be realised from a review of the Council’s ICT replacement process and the appropriateness of the maintenance charges per device.

## County Procurement (2022-23) – Limited Assurance Report Issued

County Procurement provides support across the Council and is responsible for initiating and administering the majority of procurement exercises which are undertaken, with the exception of the social care within Adult Care. The Assurance was limited as a result of the staff recruitment and retention issues that exist within Corporate Procurement and the impact that these are expected to have on the Team’s ability to effectively discharge their duties.

### Support and Consultancy Work

In addition to our programme of Audits, the Unit assists Management with the provision of ongoing support, advice, attendance at various meetings including those with Departmental staff and project boards. Audit staff promote the principles of good governance and control frameworks. Key groups attended in this period included:

- |                              |                                    |
|------------------------------|------------------------------------|
| ✓ Corporate Governance       | ✓ Finance Officers’                |
| ✓ Information Governance     | ✓ Data Protection Working          |
| ✓ Asset Optimization Project | ✓ SAP Implementation Project Board |

### Audits in Progress

- Departmental Review (2022-23) – Awaiting Management Response
- Human Resources Management – Work in Progress
- Accounts Receivable – Work in Progress.



## Detailed Analysis – Children’s Services

Departmental Performance	2022-23	2023-24	Departmental Opinions	2022-23	2023-24
Days within the Approved Audit Plan	487	285	Substantial	2	-
Actual days delivered to date	476	95	Satisfactory	9	5
Percentage of Audit Days Delivered	97.7%	33.3%	Limited	4	1
Number of Reports Issued	22	6	No	-	-
			Other (including letters)	7	-

### Starting Point (2022-23) – Satisfactory Assurance Report Issued

Starting Point is the entry point (‘Front Door’) by which child protection and welfare concerns come into the Council and was established to discharge the Council’s statutory duties under s.11 Children Act 2004. The review identified that referrals were promptly administered, partner agencies had been consulted where appropriate and relevant documentation retained on the Council’s Mosaic case management system.

### Schools – 3 Satisfactory Assurance Reports Issued

School Audits are undertaken to ensure the compliance with current legislation, the Derbyshire Scheme for Financing Schools (DSFS), accounting best practice and an assessment of compliance with the principles of the Schools Financial Value Standard (SFVS).

### Adult Education IT System – Satisfactory Assurance Report Issued

Children’s Services procured an Adult Learning Management Information Solution to schedule and book adult education courses, as well as collate data for use in reporting to the Education Skills Funding Agency and Ofsted. Overall, the IT solution provided reasonable functionality given its intended purpose and compliance with the majority of the Council’s information security requirements.



### Holiday Activities and Food Grant – Limited Assurance Report Issued

During the review and sign off of the Holiday Activities and Food Programme (HAF) Grant in April 2023, a number of procedural weaknesses were identified when seeking to ensure that outputs had been delivered in accordance with associated grant conditions. This resulted in the qualified sign off of the annual Certificate of Grant Usage and Statement of Expenditure by the Director of Finance & ICT. At this stage there are no financial impacts from the issues identified however improvements are required in respect of monitoring arrangements to ensure compliance with financial requirements and performance standards.

#### Support and Consultancy Work

- ✓ Grants – Supporting Families (3 submissions).

## Detailed Analysis – Adult Social Care and Health

Departmental Performance	2022-23	2023-24	Departmental Opinions	2022-23	2023-24
Days within the Approved Audit Plan	395	245	Substantial	3	1
Actual days delivered to date	421	58	Satisfactory	19	2
Percentage of Audit Days Delivered	106.6%	23.7%	Limited	1	-
Number of Reports Issued	25	3	No	-	-
			Other (including letters)	2	-

### ✓ Direct Payments (2022-23) – Substantial Assurance Report Issued

Direct Payments was recognised as a major, high-risk function due to the value of payments made, the vulnerability of those receiving payments and recent national instances of direct payment fraud. The review evaluated the adequacy and effectiveness of the systems and controls relating to direct payments and through the performance of sample testing, assessed whether payments made in the twelve months prior to Audit were administered appropriately.

### ↗ Departmental Review (2022-23) – Satisfactory Assurance Report Issued

This annual review of compliance, governance and internal control considered elements of the Department's statutory and regulatory requirements, management and administration, budgetary control, risk management, human resource records and adherence to the ISO27001 Information Security Standard.

### ↗ Mosaic Client Management - Satisfactory Assurance Report Issued

The Adult Social Care and Health (ASCH) and Children's Services (CS) Departments use the Mosaic software application as their core Case Management System, which was hosted within the Council's on-site data centre. Due to significant operational and technical issues being encountered across the service with the internally hosted Mosaic solution the move to a remotely hosted SaaS offering was approved by Cabinet in November 2022. Whilst the review identified a satisfactory level of compliance with the majority of the Council's information security procedures and best practice, a small number of areas of non-compliance were identified.

### Support and Consultancy Work

- Grant assurance work will commence later in the year.

### Audits in Progress

- Best Life Derbyshire – Draft Report Issued
- Derbyshire Shared Care Record – Ongoing System Review
- Phoenix Imprest System – Work in Progress
- Public Health – Work in Progress.

## Detailed Analysis – Place

Departmental Performance	2022-23	2023-24	Departmental Opinions	2022-23	2023-24
Days within the Approved Audit Plan	230	183	Substantial	1	-
Actual days delivered to date	174	100	Satisfactory	3	2
Percentage of Audit Days Delivered	75.7%	54.6%	Limited	2	-
Number of Reports Issued	7	2	No	-	-
			Other (including letters)	1	-

### Departmental Review (2022-23) – Satisfactory Assurance Report Issued

This annual review of compliance, governance and internal control considered elements of the Department’s statutory and regulatory requirements, management and administration, budgetary control, risk management, human resource records and adherence to the ISO27001 Information Security Standard.

### Public Transport & Taxi Contracts (2022-23) – Satisfactory Assurance Report Issued

The purpose of this Audit was to conduct an advisory pre-implementation review of the Passenger Transport Dynamic Purchasing System (PTDPS) to gain assurance that the intended control framework would be fit for purpose. The PTDPS is considered high-risk due to the large number of contracts that are in place within the Transport service. The review identified that training records, and evidence retained for taxi drivers and passenger assistants with Council contracts was not complete and that evidence of care qualifications were not being obtained as standard.

### Support and Consultancy Work

- ✓ LTA Covid Bus Services Support Grant
- ✓ Multiply Funding.

## Audits in Progress

- Countryside Services (2022-23) – Draft Report Issued
- Regeneration – Work in Progress
- Derbyshire Records Office & Records Management – Work in Progress
- Fleet Services – Work in Progress.

## Appendix 1 - Progress Against the 2023-24 Audit Plan and Completion of 2022-23 Audit Plan

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Corporate Activities – The 2023-24 Audit Plan included an allocation of 934 days over the following areas</b>											
<b>Corporate Projects</b>											
Workforce Development	-	-	-	-	-	-	-	-	-	-	
Corporate Culture	-	-	-	-	-	-	-	-	-	-	
Delivery & Commissioning/Partnership Working	-	-	-	-	-	-	-	-	-	-	
Climate Change	9	-	Satisfactory	Satisfactory	↔	-	-	5	4	1M	Report relates to 2022-23 Audit
Modern Ways of Working	-	2	-	-	-	-	-	-	-	-	
Asset Optimisation (Corporate Landlord)	-	1	-	-	-	-	-	-	-	-	
East Midlands Freeport	-	-	-	-	-	-	-	-	-	-	
County Deals	-	-	-	-	-	-	-	-	-	-	
Customer Complaints & Enquiries Process	-	-	-	-	-	-	-	-	-	-	
IT Governance	-	-	-	-	-	-	-	-	-	-	
Data Governance	-	-	-	-	-	-	-	-	-	-	
Project Management Office Administration	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>9</b>	<b>3</b>	<b>1 x Satisfactory</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>4</b>	<b>1M</b>	
<b>Corporate Governance</b>											
Embedding Corporate Governance	-	10	-	-	-	-	-	-	-	-	
Information Governance Group & Support	-	3	-	-	-	-	-	-	-	-	
Cyber Security Group & Support	-	-	-	-	-	-	-	-	-	-	
Data Protection Group & Support	-	2	-	-	-	-	-	-	-	-	
Governance Group & Support	-	-	-	-	-	-	-	-	-	-	
Audit Committee & Support	-	6	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Corporate Fraud Arrangements</b>											
External Audit Liaison	-	-	-	-	-	-	-	-	-	-	
National Fraud Initiative	-	31	-	-	-	-	-	-	-	-	
National Anti-Fraud Network	-	-	-	-	-	-	-	-	-	-	
RIPA Management & Admin	-	9	-	-	-	-	-	-	-	-	
Counter Fraud and Audit Investigations	-	153	-	3 x Reports 3 x Letters	-	-	1	3	-	-	
<b>Total</b>	-	<b>193</b>	-	<b>3 x Reports 3 x Letters</b>	-	-	<b>1</b>	<b>3</b>	-	-	
<b>Strategic Management</b>											
Strategic Management	-	31	-	-	-	-	-	-	-	-	
Strategic Management (Risk)	-	-	-	-	-	-	-	-	-	-	
Assurance Mapping	-	-	-	-	-	-	-	-	-	-	
Audit Data Analytics	-	-	-	-	-	-	-	-	-	-	
Audit Case Management System	-	24	-	-	-	-	-	-	-	-	
<b>Total</b>	-	<b>55</b>	-	-	-	-	-	-	-	-	
<b>Audit Planning Contingency</b>											
Audit Planning Contingency	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	
<b>Corporate Activities Total</b>	<b>9</b>	<b>272</b>	<b>1 x Satisfactory</b>	<b>1 x Satisfactory 3 x Reports 3 x Letters</b>	-	-	<b>1</b>	<b>8</b>	<b>4</b>	<b>1M</b>	



Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Corporate Services and Transformation Department - The 2023-24 Audit Plan included an allocation of 690 days over the following areas</b>											
<b>Departmental Review - Management &amp; Administration (CST)</b>											
Corporate Services and Transformation Departmental Review	-	20	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>CST Themed and Operational Reviews</b>											
Business Continuity Planning - Corporate Response	-	-	-	-	-	-	-	-	-	-	
Business Continuity Planning - ICT	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>CST Dept. IT Systems</b>											
SAP System & Processes	-	3	-	-	-	-	-	-	-	-	
Corporate Database Review	-	-	-	-	-	-	-	-	-	-	
Network Infrastructure Review	-	-	-	-	-	-	-	-	-	-	
Server Infrastructure Review	-	-	-	-	-	-	-	-	-	-	
Bacs Payment System Review	15	-	Satisfactory	Satisfactory	↔	-	-	5	-	3M	Report relates to 2022-23 Audit
E-Recruitment Review	10	-	-	-	-	-	-	-	-	-	
E-Procurement Review	-	-	-	-	-	-	-	-	-	-	
Web Site Development	-	5	-	-	-	-	-	-	-	-	
ICT Asset Management	7	-	N/A	Satisfactory	↔	-	3	5	-	-	Report relates to 2022-23 Audit
DBS Employment Check IT System	-	-	-	-	-	-	-	-	-	-	
➤ Electronic Income & PCI Compliance	-	-	-	-	-	-	-	-	-	-	
➤ Imprest & GC5 System	-	21	-	-	-	-	-	-	-	-	
➤ IT Hardware Disposal	-	1	-	-	-	-	-	-	-	-	
➤ CST IT/IS General Support	-	6	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>32</b>	<b>36</b>	<b>1 x Satisfactory</b>	<b>2 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>10</b>	<b>-</b>	<b>3M</b>	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>CST IS Contracts, Processes and General</b>											
Software Licensing											
<b>Total</b>											
<b>Divisional Activity – Core Financial Systems (CST)</b>											
Core Financial Systems – General Queries	-	3	-	-	-	-	-	-	-	-	
Human Resources Management	-	32	-	-	-	-	-	-	-	-	
Accounts Payable	-	-	-	-	-	-	-	-	-	-	
Corporate Purchasing	1	-	Satisfactory	Limited	↓	-	3	3	3	1H, 2M, 2L	Report relates to 2022-23 Audit
Accounts Receivable	-	3	-	-	-	-	-	-	-	-	
Accountancy, Budgetary Control and Financial Resilience	5	-	2 x Substantial	1 x Substantial 1 x Satisfactory	↓	-	1	5	2	1M, 1L	Report relates to 2022-23 Audit
Pensions & Funds Administration	-	-	-	-	-	-	-	-	-	-	
LGPS Central	3	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>9</b>	<b>38</b>	<b>2 x Substantial 1 x Satisfactory</b>	<b>1 x Substantial 1 x Satisfactory 1 x Limited</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>8</b>	<b>5</b>	<b>1H, 3M, 3L</b>	
<b>Divisional Activity – Probity and Compliance (CST)</b>											
HM Revenue & Customs Compliance	-	-	-	-	-	-	-	-	-	-	
Financial Regulations & Standing Orders	-	2	-	-	-	-	-	-	-	-	
Insurance & Risk Management	-	-	-	-	-	-	-	-	-	-	
Officers Travel	10	-	N/A	Letter	-	-	-	-	-	-	
<b>Total</b>	<b>10</b>	<b>2</b>	<b>-</b>	<b>1 x Letter</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Divisional Activity – County Property Division (CST)</b>											
Property Services Review	-	-	-	-	-	-	-	-	-	-	
Property Contractor Management	-	4	-	-	-	-	-	-	-	-	
<b>Total</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>External Grants, Certifications and Assurance Work</b>											
CST Departmental Grants & Certifications	-	4	-	-	-	-	-	-	-	-	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
Ukraine Family Support	-	2	-	-	-	-	-	-	-	-	
D2N2 LEP	-	3	-	-	-	-	-	-	-	-	
<b>Total</b>	-	<b>9</b>	-	-	-	-	-	-	-	-	
<b>Resource Led Reviews</b>											
Council and Business Rates Administration	-	-	-	-	-	-	-	-	-	-	
Registration Service Audit Review	-	-	-	-	-	-	-	-	-	-	
Health, Safety and Wellbeing Review	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	
<b>Departmental Total</b>	<b>51</b>	<b>109</b>	<b>2 x Substantial 2 x Satisfactory</b>	<b>1 x Substantial 3 x Satisfactory 1 x Limited 1 x Letter</b>	-	-	<b>7</b>	<b>18</b>	<b>5</b>	<b>1H, 6M, 3L</b>	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Children's Services – The 2023-24 Audit Plan included an allocation of 285 days over the following areas</b>											
<b>Departmental Review – Management &amp; Administration (CS)</b>											
Children's Services – Departmental Review	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	
<b>External Grants, Certifications and Assurance Work</b>											
CS Department Grants and Certifications	-	25	N/A	Limited	↔	-	1	-	1	-	➤ Holiday Activities and Food Grant
Schools Financial Value Standard (SFVS) Returns	-	4	N/A	N/A	-	-	-	-	-	-	
Supporting Families Programme	-	27	-	-	-	-	-	-	-	-	➤ 3 Submissions
<b>Total</b>	-	<b>56</b>	-	<b>1 x Limited</b>	-	-	<b>1</b>	-	<b>1</b>	-	
<b>Operational Reviews (CS)</b>											
Starting Point	1	-	Satisfactory	Satisfactory	↔	-	2	4	3	1H, 1M	Report relates to 2022-23 Audit
Children in Care Placements	-	-	-	-	-	-	-	-	-	-	
Management of Service Demands	-	-	-	-	-	-	-	-	-	-	
Administration of Children's Homes	-	-	-	-	-	-	-	-	-	-	
Review of Traded Services	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>1</b>	-	<b>1 x Satisfactory</b>	<b>1 x Satisfactory</b>	-	-	<b>2</b>	<b>4</b>	<b>3</b>	<b>1H, 1M</b>	
<b>Primary Schools</b>											
Thematic School Reviews	-	5	-	-	-	-	-	-	-	-	
Primary School General Queries	-	10	-	-	-	-	-	-	-	-	
<b>Total</b>	-	<b>15</b>	-	-	-	-	-	-	-	-	
<b>Children's Homes</b>											
The Willows (Peak School Chinley)	1	-	Satisfactory	Satisfactory	↔	-	1	2	1	1M, 1L	Report relates to 2022-23 Audit
<b>Total</b>	<b>1</b>	-	<b>1 x Satisfactory</b>	<b>1 x Satisfactory</b>	-	-	<b>1</b>	<b>2</b>	<b>1</b>	<b>1M, 1L</b>	
<b>CS IT Systems</b>											
Early Years and Education Management Information System	-	-	-	-	-	-	-	-	-	-	
Adult Education IT System	1	-	N/A	Satisfactory	↔	-	-	3	-	-	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
School Management Information System (RM Integris)	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	
<b>CS IS Contracts, Processes and General</b>											
CS IT/IS General Support	-	1	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Resource Led Reviews</b>											
Looked After Children/Care Leavers	-	-	-	-	-	-	-	-	-	-	
Special Educational Needs	-	-	-	-	-	-	-	-	-	-	
Adult Community Education	-	-	-	-	-	-	-	-	-	-	
Management of S106 Income	-	-	-	-	-	-	-	-	-	-	
Chapel-en-le-Frith High School	-	11	Satisfactory	Satisfactory	↔	-	3	10	6	2H, 5M, 2L	
Whittington Green School	-	-	-	-	-	-	-	-	-	-	
Parkside Community School	-	-	-	-	-	-	-	-	-	-	
Dronfield Henry Fanshawe School	-	-	-	-	-	-	-	-	-	-	
Tibshelf Community School - A Specialist Sports College	-	9	Satisfactory	Satisfactory	↔	-	4	4	1	1H, 2M	
<b>Total</b>	<b>-</b>	<b>20</b>	<b>2 x Satisfactory</b>	<b>2 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>14</b>	<b>7</b>	<b>3H, 7M, 2L</b>	
<b>Departmental Total</b>	<b>3</b>	<b>92</b>	<b>4 x Satisfactory</b>	<b>5 x Satisfactory 1 x Limited</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>23</b>	<b>12</b>	<b>4H, 9M, 3L</b>	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Adult Social Care and Health Department – The 2023-24 Audit Plan included an allocation of 245 days over the following areas</b>											
<b>Departmental Review - Management and Administration</b>											
Adult Social Care and Health Departmental Review	1	-	Satisfactory	Satisfactory	↔	-	1	1	1	6M, 2L	Report relates to 2022-23 Audit
Public Health Review	-	1	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1 x Satisfactory</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>6M, 2L</b>	
<b>Operational Reviews (AC)</b>											
Direct Payments	1	-	Satisfactory	Substantial	↑	-	-	4	1	3H, 1M, 1L	Report relates to 2022-23 Audit
Better Lives	27	-	-	-	-	-	-	-	-	-	
Review of Quality Assurance Framework	-	-	-	-	-	-	-	-	-	-	
Safeguarding of Adults	-	-	-	-	-	-	-	-	-	-	
Administration of Care Establishments	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>28</b>	<b>-</b>	<b>1 x Satisfactory</b>	<b>1 x Substantial</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>3H, 1M, 1L</b>	
<b>ASC&amp;H IT Systems</b>											
Mosaic Client Management	-	14	N/A	Satisfactory	↔	-	1	3	2	-	
Imprest System	-	8	-	-	-	-	-	-	-	-	
Derbyshire Shared Care Record	-	6	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>-</b>	
<b>ASC&amp;H Contracts, Processes and General</b>											
ASC&H IT/IS General Support	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>External Grants, Certifications and Assurance Work</b>											
ASC&H Department Grants and Certifications	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Resource Led Reviews</b>											
Direct Care	-	-	-	-	-	-	-	-	-	-	





Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	
<b>Departmental Total</b>	<b>29</b>	<b>29</b>	<b>2 x Satisfactory</b>	<b>1 x Substantial 2 x Satisfactory</b>	-	-	2	8	4	3H, 7M, 3L	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Place Department – The 2023-24 Audit Plan included an allocation of 183 days over the following areas</b>											
<b>Departmental Management &amp; Administration Review</b>											
Place – Departmental Review	3	-	Substantial	Satisfactory	↓	-	1	6	1	2M, 1L	Report relates to 2022-23 Audit
<b>Total</b>	<b>3</b>	<b>-</b>	<b>1 x Substantial</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>2M, 1L</b>	
<b>Operational Reviews (PL)</b>											
Countryside Management	20	-	-	-	-	-	-	-	-	-	
Concessionary Fares	-	-	-	-	-	-	-	-	-	-	
Regeneration	-	15	-	-	-	-	-	-	-	-	
Local Transport Capital Funding Grant	-	-	-	-	-	-	-	-	-	-	
Inspection and Control of Highway Assets	-	-	-	-	-	-	-	-	-	-	
Public Library Service	-	-	-	-	-	-	-	-	-	-	
Derbyshire Records Office & Records Management	-	13	-	-	-	-	-	-	-	-	
D2N2 LEP (VP044)	-	-	-	-	-	-	-	-	-	-	
➤ Fleet Services	-	28	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>20</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Place Dept. IT Systems</b>											
Fleet Management System	-	-	-	-	-	-	-	-	-	-	
Waste Management Accounting System	-	-	-	-	-	-	-	-	-	-	
➤ Library Booking System	-	11	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Place IS Contracts, Process and General</b>											
IT/IS General Support	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>External Grants, Certifications and Assurance Work</b>											
Place Department Grants and Certifications	5	1	-	-	-	-	-	-	-	-	➤ Multiply Funding ➤ Hardship Flood Funding Grant



Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	22-23	23-24				Critical	High	Medium	Low		
<b>Total</b>	<b>5</b>	<b>1</b>	-	-	-	-	-	-	-	-	
<b>Resource Led Reviews</b>											
Review of Waste Management	-	-	-	-	-	-	-	-	-	-	
Public Transport & Taxi Contracts	4	-	N/A	Satisfactory	↔	-	2	-	1	-	Report relates to 2022-23 Audit
Trading Standards	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>-</b>	
<b>Departmental Total</b>	<b>32</b>	<b>68</b>	<b>1 x Substantial</b>	<b>2 x Satisfactory</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>2M, 1L</b>	

**Audit Opinions** are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:

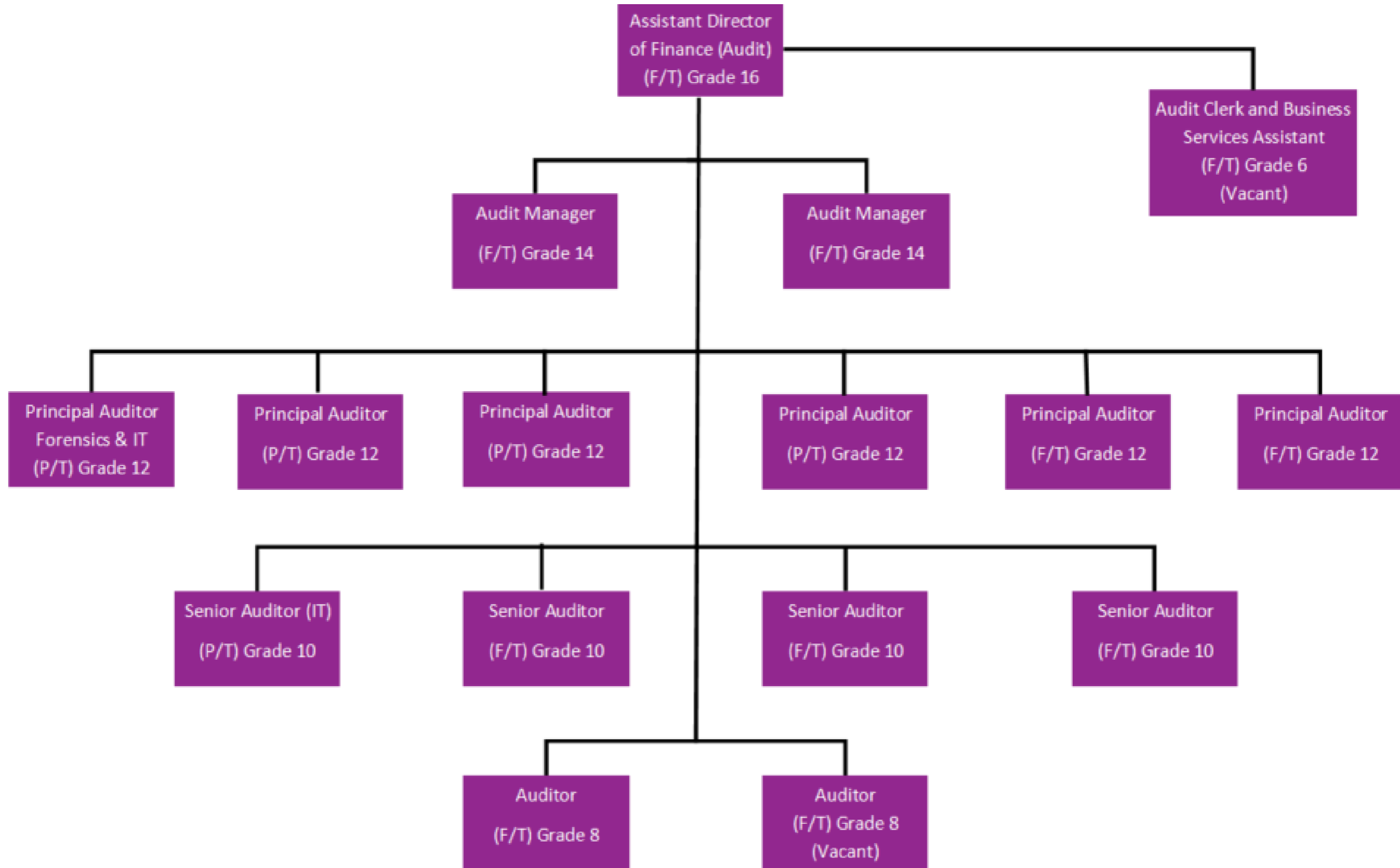
Level of Assurance		Explanation and significance
Substantial Assurance 		Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Satisfactory Assurance 		Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance 		Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance 		Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

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**Audit Recommendations** are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:

Level	Category	Explanation and significance
1	<b>Critical</b>	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	<b>High</b>	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	<b>Medium</b>	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	<b>Low</b>	General housekeeping issues which require consideration and a planned implementation date within the medium term.

## Appendix 2 – Audit Services Structure



## Appendix 3 - Key Performance Indicators 2023-24

Indicator	Target	2021-22	2022-23	2023-24	Comments
Audit Plan – Achievement of planned Audit days	95%	89%	95%	89%	This includes 124 days relating to 2022/23 audit work
Completion of Audit staff Personal Development Reviews (PDRs) and training identified	100%	100%	100%	100%	
Undertake a risk based Annual Audit Plan formulation exercise	N/A	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	100%	0%	100%	17%	1 review completed
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Report	100%	100%	40%	50%	
Percentage of Draft Audit Report issued within 15 working days of fieldwork completion	95%	25%	47%	41%	
Percentage of Final Audit Report issued within 28 working days of issue of Draft Audit Report	95%	67%	70%	65%	
Percentage of Recommendations made which are implemented at the time of follow up Audit	90%	66%	73%	75%	
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	N/A	✓	✓	N/A	Completed annually towards year-end
Client Satisfaction – Percentage of questionnaire responses rating the Audit as good or very good	90%	10%	100%	100%	5 questionnaires returned
Annual Survey of Key Stakeholders	N/A	✓	✓	N/A	Completed annually towards year-end
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	N/A	✓	✓	N/A	Completed annually towards year-end

# Audit Strategy Memorandum

## Derbyshire Pension Fund

Year ending 31 March 2023

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Agenda Item 6

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- A Appendix A – Key communication points
- Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to the Derbyshire Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of Derbyshire County Council's Audit Committee  
Derbyshire County Council  
County Hall  
Matlock  
DE4 3AG

8 September 2023

Dear Audit Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for the Derbyshire Pension Fund for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Derbyshire County Council Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains appendices that outline our key communications with you during the course of the audit and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Signed: 

Cameron Waddell

Mazars LLP

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Derbyshire Pension Fund (the Fund) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

### Audit opinion

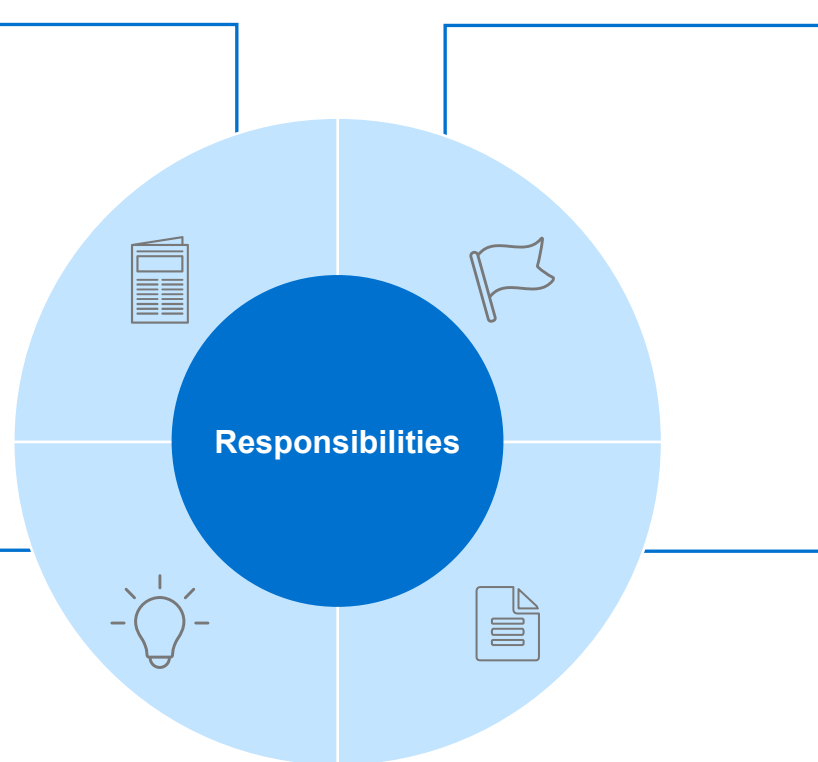
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Director of Finance & ICT is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

whether a material uncertainty related to going concern exists; and consider the appropriateness of the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements.

### Consistency statement

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Derbyshire County Council.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

# 02

Section 02:

**Your audit engagement team**

Page 48

# 2. Your audit engagement team

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**Cameron Waddell**  
**Engagement Partner**  
  
Email: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)  
Telephone: 0781 375 2053.



**John Pressley**  
**Engagement Manager**  
  
Email: [john.pressley@mazars.co.uk](mailto:john.pressley@mazars.co.uk)  
Telephone: 0790 998 0880

# 03

Section 03:

## **Audit scope, approach and timeline**

Page 50

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



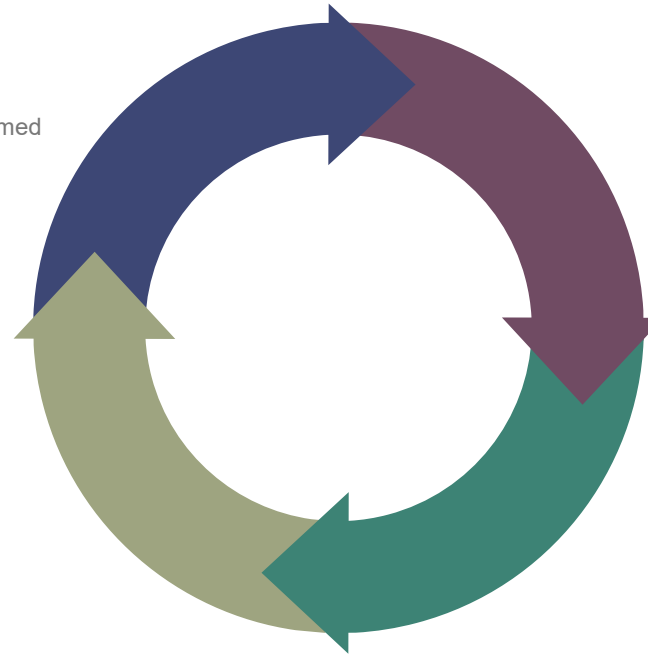
# 3. Audit scope, approach and timeline

## Planning March

- Planning work and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Completion November - December

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing the content of the letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's reports



## Interim April - June

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork July - October

- Receiving and reviewing draft financial statements
- Accounting Technical Services (ATS) review of draft financial statements
- Reassessment of audit plan and revision if necessary
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Hymans Robertson	None

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Investment valuations and related disclosures Investment income and related disclosures	Investment Managers Custodian	Substantive testing of in year transactions and valuations applied to investments at the year end.



# 04

Section 04:

**Significant risks and other key judgement areas**

Page 54



# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

### Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

### Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

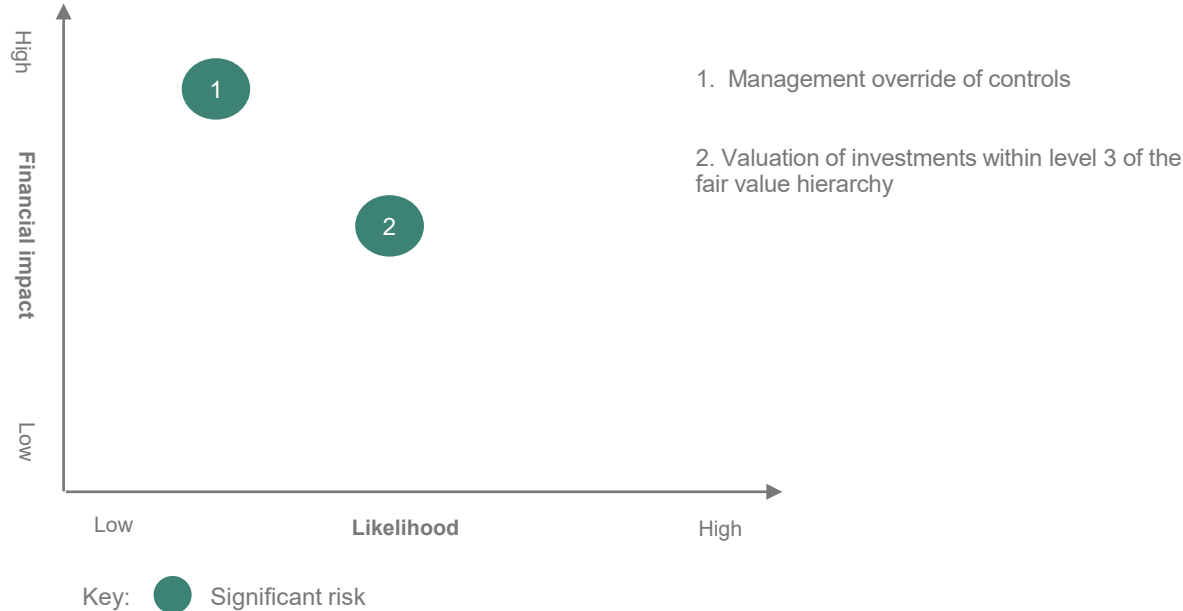
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

### Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

### Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the following pages.



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# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 56	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</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. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk by performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 57	<p><b>2 Valuation of investments within level 3 of the fair value hierarchy</b></p> <p>At 31 March 2022 the Pension Fund held investments which were not quoted on an active market with a fair value of £3,227.0 million, accounting for 52.6 per cent of the Fund's net investment assets. This included: Alternatives including tracker funds (£2,199.8 million), Property (£453.6 million), Infrastructure (£382.2 million) and Private Equity (£191.4 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2022/23 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none"> <li>• agree holdings from fund manager reports to the global custodian's report;</li> <li>• agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;</li> <li>• agree the investment manager valuations to audited accounts or other independent supporting documentation, where available;</li> <li>• where audited accounts are available, check that they are supported by an unmodified opinion;</li> <li>• review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and</li> <li>• where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.</li> </ul>

## Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.



# 05

Section 05:

**Fees for audit and other services**

Page 58

## 5. Fees for audit and other services

### Fees for work as the Pension Fund's appointed auditor

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
<b>Code Audit Work</b>		
Scale fee <sup>1</sup>	£26,008	£22,077
Fee variations	TBC <sup>4</sup>	£6,000 <sup>2</sup>
<b>Audit related fees</b>		
Pension assurance letters to employer auditors	£21,840	£18,200 <sup>3</sup>

<sup>1</sup> The scale fee is set by the PSAA.

<sup>2</sup> The additional audit cost in 2021/22 relates to enhanced procedures required due to increased regulatory expectations, primarily related to the audit of level 3 investments. This work is required on an annual basis so an additional fee will be required until the scale fee fully reflects the audit time needed.

<sup>3</sup> During the year we responded to requests received from employer body auditors to undertake a programme of work to provide assurance in respect of data held by the Fund, which is used by the actuary to calculate pension assets and liabilities for individual employers. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment, and the expectation within NAO's AGN01 General Guidance Supporting Local Audit.

<sup>4</sup> The Fund's financial statements for the year ended 31 March 2023 will include disclosures based on the 2022 triennial valuation. As a result, we will need to perform audit procedures relating to the triennial valuation as part of our audit of the Fund's 2022-23 financial statements. This work is in addition to the annual audit procedures that we undertake and will therefore be subject to a separate fee that will be based on the time taken to complete the additional audit testing.

### Fees for non-PSAA work

We have not been separately engaged by the Pension Fund to carry out additional work.



# 06

Section 06:

**Our commitment to independence**

Page 60

# 6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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# 07

Section 07:

## **Materiality and misstatements**

Page 62



# 7. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	61.3
Performance materiality	46.0
Specific materiality: Fund Account	20.3
Performance Materiality: Fund Accounts	14.5
Trial threshold for errors to be reported to the Audit Committee	1.8

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## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on the draft 2022/23 accounts. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that net assets available to pay benefits remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendix

# 7. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on asset values in the draft accounts for 2022/23 we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £61.3 million (£57.0 million in the prior year).

Our provisional specific materiality for the fund account is set based on a benchmark of contributions receivable. We expect to set a materiality threshold at 10% of contributions receivable. Based on the draft accounts for 2022/23 we anticipate the fund account specific materiality for the year ending 31 March 2023 to be in the region of £20.3m (£19.4m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £1.8m based on 3% of overall materiality. If you have any queries about this, please do not hesitate to raise these with Cameron Waddell.

## Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





# Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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# Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

The above documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Audit Strategy Development Update

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.

- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

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# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>• to uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• to request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at the Audit Committee. Audit planning and clearance meetings



# Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

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# Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
Events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern include: <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Pension Fund's 2022/23 audit.

The most significant changes relevant to the Pension Fund's audit are outlined below.

### Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Objectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

### Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

### Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

### Implications for the audit

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Pension Fund to ensure that we can document our detailed understanding of the Fund and the environment that it operates in. This will build on the existing strong knowledge of the Fund we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Fund's IT environment. We will keep this under review as part of our work. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

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# Cameron Waddell

## Mazars

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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# Audit Strategy Memorandum

Derbyshire County Council

Year ending 31 March 2023

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**Appendix A** Key communication points

**Appendix B** Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to Derbyshire County Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

10 July 2023

Dear Audit Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Derbyshire County Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Derbyshire County Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit.

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Yours faithfully

Mark Surridge

Mazars LLP

# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Derbyshire County Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The section 151 officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding this, and conclude on whether: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

### Fraud

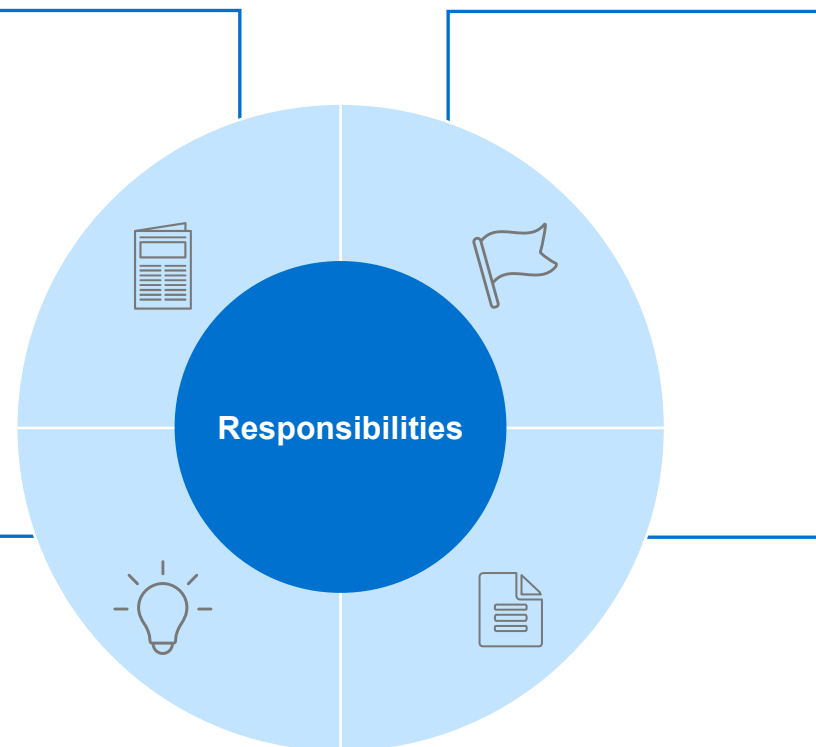
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit, as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

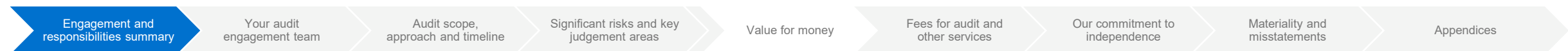
### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



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# 02

Section 02:

**Your audit engagement team**

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## 2. Your audit engagement team

Who	Role	Email
Mark Surridge Director and Key Audit Partner	Engagement Lead	Mark.Surridge@mazars.co.uk
Michael Norman Senior Manager	Engagement Manager	Michael.Norman@mazars.co.uk
Vikash Patel Assistant Manager	Engagement Senior	Vikash.patel@mazars.co.uk

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# 03

Section 03:

## **Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit is designed to comply with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

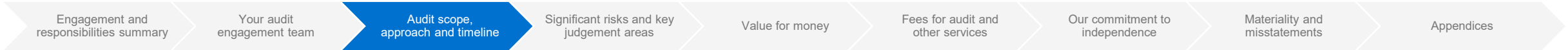
Our risk based audit approach is driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit and the indicative timeline. The specific dates are subject though as always to:

- the timely provision of information by the Council and any third parties; and
- us being able to fully complete the audit procedures to the required quality standards.



# 3. Audit scope, approach and timeline

These dates are based on the current timetable agreed with management, with the draft financial statements expected to be published by the end of July 2023. The field work stage is split into two visits (starting in August and October 2023).

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## Planning February 2023 – March 2023

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion December 2023

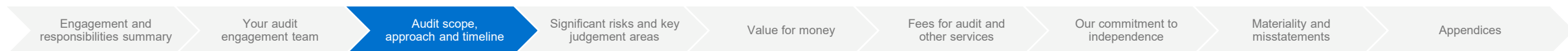
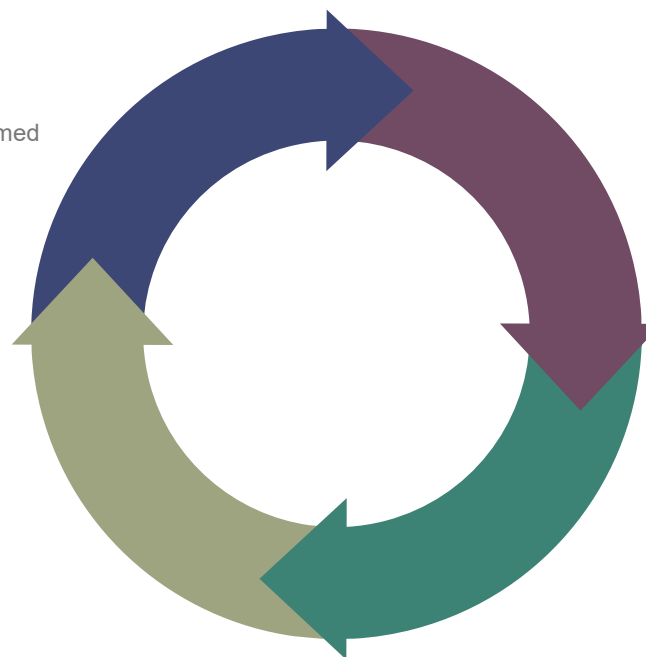
- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit Committee.
- Reviewing subsequent events
- Signing the auditor’s report
- Issuing our Auditor’s Annual Report

## Interim March and July 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary
- Carrying out our VFM risk assessment

## Fieldwork August – November 2023

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting
- Updating our VFM risk assessment



# 3. Audit scope, approach and timeline

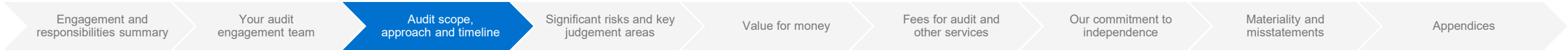
**Internal audit**

We will continue to liaise with internal audit to inform our continual risk assessment.

**Management’s and our experts**

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. We have summarised the items of account and our respective experts in the table below.

Item of account	Management’s expert	Our expert
Property Plant and Equipment (valuations)	Internal Valuer	We will if necessary engage our internal valuation team to review Management’s expert’s valuation of specific assets
Pensions (valuations)	Hymans Robertson	PWC (the consulting actuary appointed by the National Audit Office)
Financial instrument disclosures (valuations)	Arlingclose Ltd	Not applicable



# 04

Section 04:

**Significant risks and other key judgement areas**

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# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

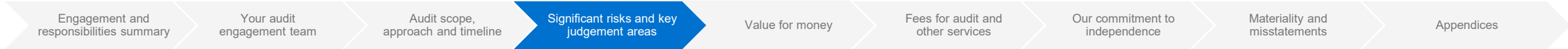
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Area of Focus

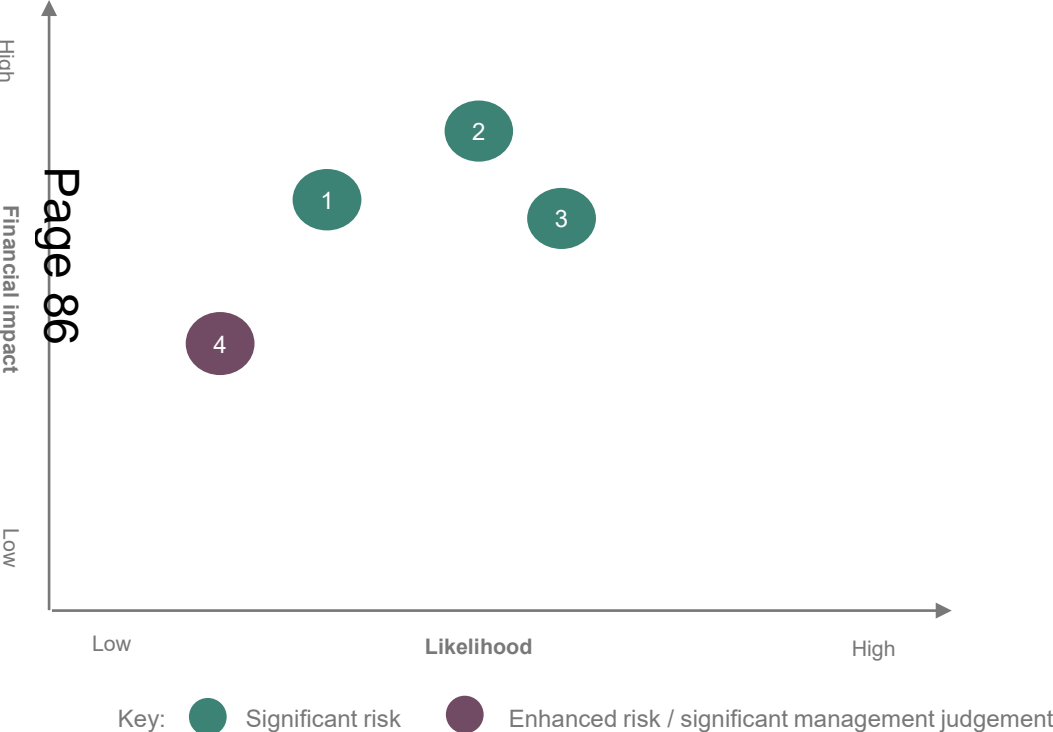
Where we identify a material item of account or aspect of financial reporting that represents a challenge to the Council, we will highlight to the Audit Committee as one where we will focus our audit attention.



# 4. Significant risks and other key judgement areas

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Risk	Risk rating 2021/22
1 Management override of controls	Significant risk (no change)
2 Valuation of Net defined benefit pension liability valuation	Significant risk (no change)
3 Valuation of Land and Buildings	Significant risk (no change)
4 Accounting for the waste management treatment plant (SinFin)	Enhanced (no change)



# 4. Significant risks and other key judgement areas

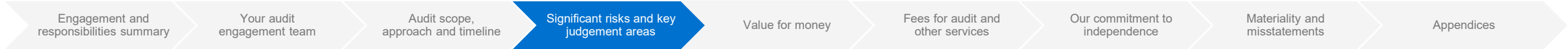
## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</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>	●	-	-	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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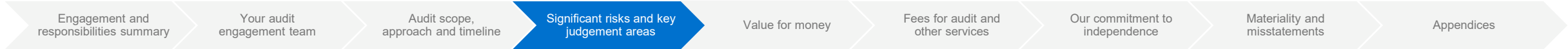


# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <p>Relevant Account Balances (taken from the 2022/23 financial statements):</p> <ul style="list-style-type: none"> <li>Net Pension Liability – LGPS: £812m</li> </ul>	-	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of the Pension Fund's Actuary;</li> <li>liaising with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and</li> <li>agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> <li>Reviewing and challenging the Council's assessment, under the requirements of IFRIC14, of its Pension surplus and confirming that the accounting treatment is appropriate and reasonable.</li> </ul>

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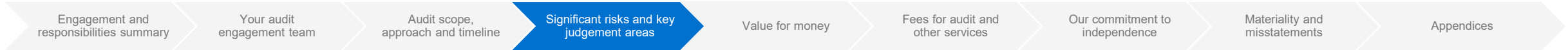


# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Valuation of Land and Buildings</b></p> <p>Land and buildings assets are a significant balance on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>At the planning stage of the audit, this risk covers (figures have been taken from the 2021/22 financial statements):</p> <ul style="list-style-type: none"> <li>Land &amp; Buildings (£1,226m)</li> </ul>	-	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> <li>critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuer to carry out the required programme of revaluations;</li> <li>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;</li> <li>Testing a sample of valuations carried out in the year to confirm they have been carried out on the correct basis and that the underlying judgements are based on relevant inputs and are reasonable;</li> <li>assessing whether valuation movements are in line with market expectations by considering valuation trends; and</li> <li>critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers.</li> </ul>

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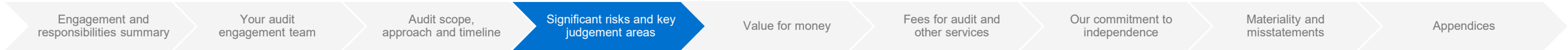


# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
4	<p><b>SinFin Waste Recycling</b></p> <p>The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. Work is underway to determine the condition and capability of the currently non-operational treatment facility. The Council's management will need to make a judgement on how to account for the asset in 2022/23.</p>	-	-	●	We will evaluate the basis of the accounting judgement and the impact on the financial statements for 2022/23 including the adequacy of disclosures.

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# 05

## Section 05: **Value for Money**

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# 6. Value for Money

## The framework for Value for Money work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

We are required to report in the auditor’s report where we identify significant weaknesses in arrangements. However, the key output of our work on VFM arrangements is the commentary on the Council’s arrangements which forms part of the Auditor’s Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

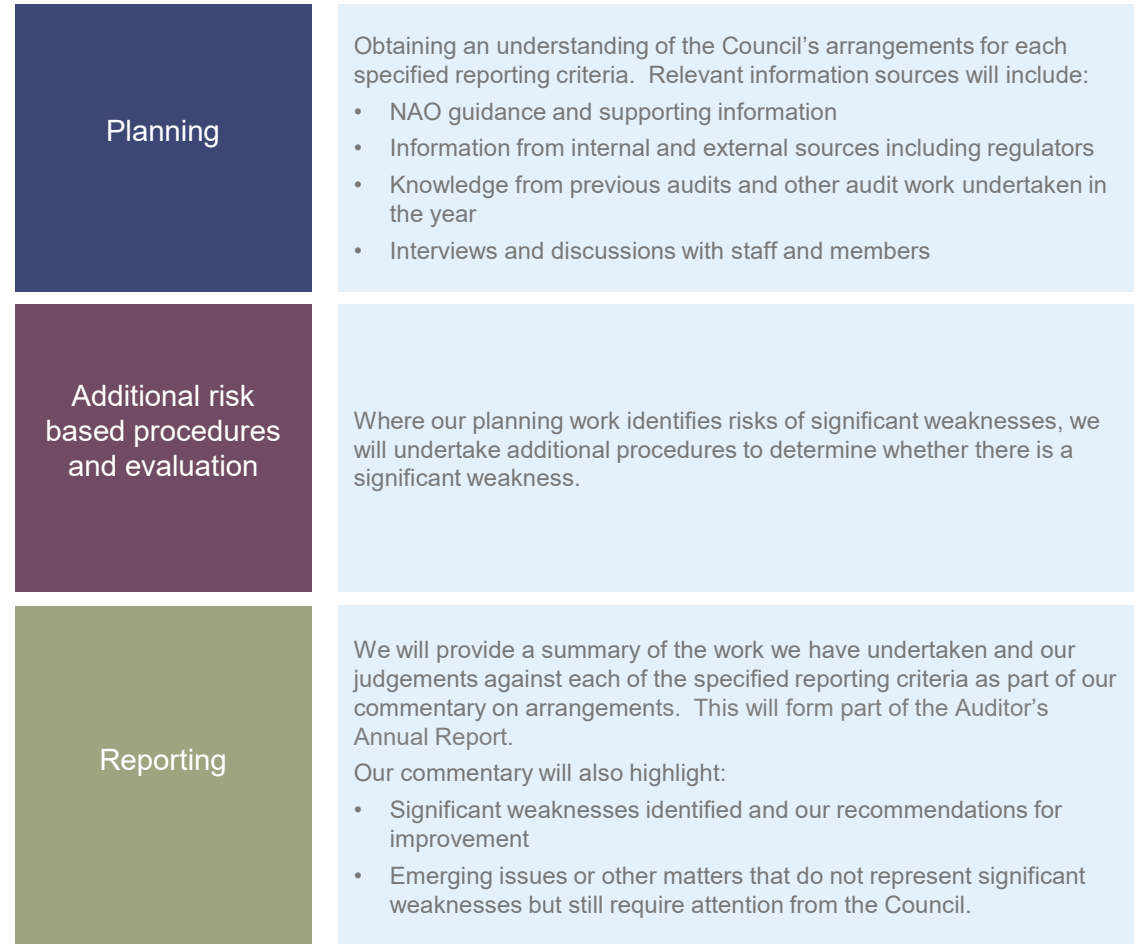
1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council’s arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

## Status of our 2022/23 Assessment

We have updated our planning and risk assessment and at this stage and have not identified any risks of, or actual, significant weaknesses. We will, if necessary, report any identified risks or weaknesses to the Audit Committee on as our audit progresses and will report our final VFM commentary through the 2022/23 Annual Auditor’s Report.



# 06

Section 06:

**Fees for audit and other services**

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## 6. Fees for audit and other services

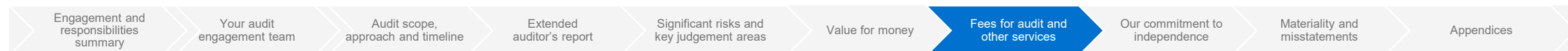
### Fees for work as the Council's appointed auditor

Details of the 2021/22 expected and planned 2022/23 fees are set out below.

The 2021/22 audit has not been finalised yet, with the completion delayed due to the need to carry out further audit work in relation to the Infrastructure and Pensions financial reporting requirements. The final fee, including any identified fee variations for work outside of the set scale audit fee, is subject to agreement with management and approval by PSAA.

PSAA has notified clients of increases in the published 2022/23 scale audit fees to reflect changes in the work required since the scale fees were originally set. We have also identified likely fee variations required for the year. These are subject to agreement with management and approval by PSAA once the audit has been finalised.

Area of work	Estimated 2021/22 Fees	Estimated 2022/23 Fees
Scale audit fee	£96,524	£108,489
<i>Fee variations:</i>		
Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes and quality control procedures as a major local audit as a result of changes in regulatory expectations	£14,970	n/a – included in updated scale fee
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern, ISA (UK) 315 (Revised 2019) Revised auditing standard on Identifying and assessing the risks of material misstatement.	£5,800	£15,000 - £25,000
Other additional costs		
- Infrastructure Assets – clarification of the accounting requirements	TBC	-
- Pensions – impact of triennial valuation		
<b>Sub-total</b>	<b>£117,294</b>	<b>£123,489 - £133,489</b>
Additional work arising from the change in the Code of Audit Practice	£14,000	£14,000
<b>Total</b>	<b>£131,294</b>	<b>£137,489 - £147,489</b>





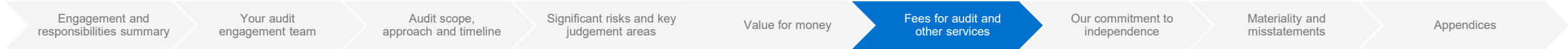
# 6. Fees for audit and other services

## Fees for non-PSAA work

In addition to the fees outlined on the previous page in relation to our appointment by PSAA, we expect to be separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2022/23 Indicative Fee	2021/22 Actual Fee
Assurance services – Teachers’ Pensions Return	£4,500	£4,200

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# 07

Section 07:

## **Our commitment to independence**

Page 96

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

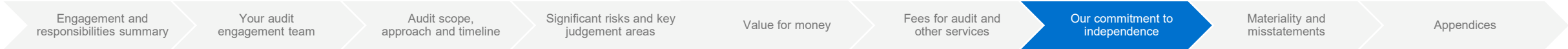
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- Partners and staff are required to complete an annual independence declaration;
- New partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Surridge in the first instance.

Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



# 08

Section 08:

## **Materiality and other misstatements**

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# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	32,050
Performance materiality	24,030
Specific Materiality - Senior Officer remuneration disclosure	10
Trivial threshold for errors to be reported to the Audit Committee	960

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;

- Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

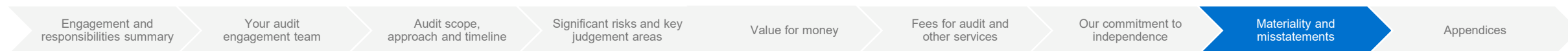
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that the Gross Revenue Expenditure at Surplus/deficit on Provision of Services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level. Based on prior year financial statements we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £32m (£30m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

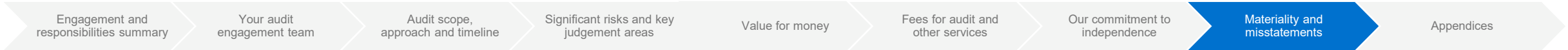
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £960,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surrudge.

## Reporting to the Audit Committee.

The following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





# Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Page 101

# Appendix A: Key communication points

We value communication with Those Charged With Governance as a two-way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

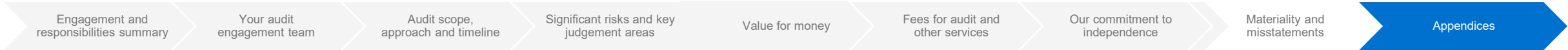
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



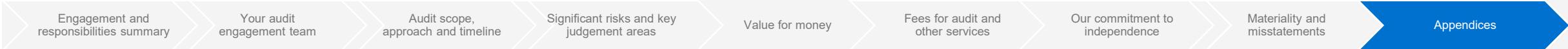


# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

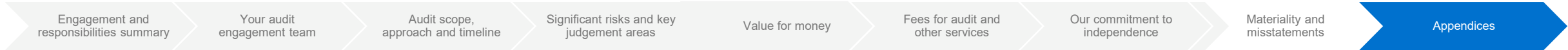
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion;</li> <li>• The effect of uncorrected misstatements related to prior periods;</li> <li>• A request that any uncorrected misstatement is corrected; and</li> <li>• In writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>• Enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• A discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit Committee meetings. Audit Planning and Clearance meetings

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# Appendix A: Key communication points

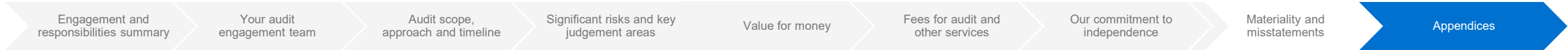
Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>• Non-disclosure by management;</li> <li>• Inappropriate authorisation and approval of transactions;</li> <li>• Disagreement over disclosures;</li> <li>• Non-compliance with laws and regulations; and</li> <li>• Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• Significant difficulties, if any, encountered during the audit;</li> <li>• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• Written representations that we are seeking;</li> <li>• Expected modifications to the audit report; and</li> <li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



# Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty;</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

## Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

## Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

## Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

# Mark Surridge

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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