



Audit Completion Report

Derbyshire County Council

Year ended 31 March 2019

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23 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 27 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0787 5974291.

Yours faithfully

Mark Surridge
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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Derbyshire County Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 23 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Expenditure recognition;
- Revenue recognition;
- Property, plant and equipment valuation; and
- Defined benefit liability valuation

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the extended deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Finalising our work in relation to the significant risk areas relating to the net Pensions liability, reviewing the latest IAS19 valuation report and the disclosures in the final set of the financial statements. We also need to review and action the latest PwC report (for NAO) on the Actuaries' work regarding estimating pension liabilities following the GMP/McCloud judgements. The timeliness of our work in this area has been impacted by this national issue that has resulted in the majority of local authorities having to obtain a revised valuation that has impacted all local Authorities
Valuation of PPE	●	Finalising our work in testing the significant risk areas relating to the valuation of non-current assets, including clearing our queries on indexation with the Council's valuer and Officers
Closure procedures	●	Review and closure processes, including final consideration of adjustments, post balance sheet events and checking the revised financial statements.
Whole of Government Accounts	●	We are awaiting the completed Cycle 2 DCT submission and associated working papers before we can complete our work and issue our audit certificate.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

In addition to the above, we have some residual procedure to complete, including clearing any remaining quality control review points and completing the remaining audit closure steps.

We will provide the Audit Committee with an update in relation to these outstanding matters, prior to signing the auditor's certificate.

Our audit approach

We have not made any significant changes to our audit approach since the planning stage of our audit.



1. EXECUTIVE SUMMARY

Materiality

Our assessment of materiality has changed slightly since our planning procedures as set out in the table below.

	Planning	Final
Benchmark selected	2017/18 Gross Expenditure	2018/19 Gross Expenditure
Benchmark %	2%	2%
Materiality £'000	30,059	31,169
Performance Materiality £'000	19,538	20,260
Trivial Threshold £'000	902	935

We set materiality at the planning stage of the audit at £31,754m using a benchmark of 2% of Gross Operating Expenditure, although erroneously our Audit Strategy Memorandum said £30.2m. Our final assessment of materiality, based on the final financial statements and qualitative factors is £31.2m, using the same benchmark.

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. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. Our performance materiality has decreased slightly from planning from £20.64m to £20.26m.

We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee), at £0.953m based on 3% of overall materiality. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee), at the planning stage of the audit at £0.95m, which has decreased slightly to £0.94m.

Specified Materiality

Area	Rationale	Materiality
Officers' remuneration	Sensitive information: this is an aspect of the accounts that can receive a high profile as it sets out highest paid staff	Pay bandings: £5,000
Termination payments	Sensitive information related to pay	£374,000
Members Allowances	Sensitive information related to pay	£215,000
Audit fee	As this also discloses fees for non-audit services and could be used to interpret potential conflicts of independence it is important that the amount disclosed is accurate	£23,000

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
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Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
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How we addressed this risk

We addressed this risk by:

- Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;
- Evaluating the business rationale for any significant transactions outside the course of the business;
- Understanding the oversight given by those charged with governance of management process over fraud;
- Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and
- Considering whether the Council's accounting policies are consistent with industry standards.

Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

- Sample test accruals and provisions based on established testing thresholds; and
- Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Expenditure recognition

Description of the risk

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having considered the factors for expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular the completeness and valuation of manually accrued payables

Due to the nature and/or value of expenditure on employee expenses, interest payments, depreciation, impairments and loss on disposal of assets; we do not believe the risk lies in those balances; but the risk is relevant to premises, transport, and supplies & services.

Relevant account balances

Cost of Services (Expenditure)

Creditors

How we addressed this risk

We addressed this risk by:

- Ensuring the accounting policies in relation to expenditure recognition and recognition of accruals are appropriate and consistently applied.
- Testing year end creditors to confirm that they have been correctly valued and categorized and are correctly treated as a creditor of the authority.
- Carrying out cut-off testing, and testing for unrecorded liabilities, to confirm expenditure has been coded to the correct accounting year.

Audit conclusion

Our work to date has not identified any material errors in the financial statements

SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Having considered the factors for revenue recognition, we believe the risk is focused on the year-end balance sheet and in particular the existence and accuracy of receivables, specifically those that are material, subject to manual intervention and/or significant estimation. Due to the nature and/or value of income from interest and investment income, council tax, business rates and government grants we do not believe the risk lies in those balances, but the risk is relevant to fees, charges and other service income.</p> <hr/> <p>Relevant account balances</p> <p>Cost of Services (income)</p> <p>Debtors</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk by:</p> <ul style="list-style-type: none">• Ensuring the accounting policies in relation to revenue recognition and recognition of accruals are appropriate and consistently applied.• Testing year end debtors to confirm that they have been correctly valued and categorized and are correctly treated as a debtor of the authority.• Carrying out cut-off testing to confirm income has been coded to the correct accounting year. <hr/> <p>Audit conclusion</p> <p>Our work to date has not identified any material errors in the financial statements</p> <hr/>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of property, plant and equipment, investment properties and assets held for sale

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

Relevant account balances

Where relevant, Cost of Services (Expenditure) for any impairment charges

Those items of Property, Plant and Equipment held at valuation being Other Land and Buildings and Surplus Assets as described in Note 14.

Assets held for sale

Investment Properties

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum.

We addressed this risk through performing the following audit work:

- Reconciling valuations from the valuer's report had been recorded in the Fixed Asset Register
- Testing a sample of assets valued during the year to valuation reports
- Where material, testing the basis for impairment of assets, the value and correct accounting treatment
- Critically assessing the Council's valuer's scope of work and methodology used
- Considering the impact of any assets not valued during the year

In our Audit Strategy Memorandum we also said we would test a sample of capital expenditure in 2018/19 where material to confirm that the additions are appropriately valued in the financial statements. This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, it formed part of our standard risk audit procedures.

Audit conclusion

Our work is nearing completion, with some residual steps to complete.

Our 2018/19 testing of land and buildings valuations identified a number of non-material issues. These issues included a misclassification of agricultural land as residential land, the omission of a school building and an inconsistent approach to the valuation of homes for older people. Management has addressed and corrected these matters for the 2018/19 financial statements.

A further matter has been raised and we will provide an update to the Audit Committee on the day of the meeting.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of net defined pension liability	The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

Relevant account balances

Net defined pension liability

How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included 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;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

Audit conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. Our audit work is however in progress and we will update the Audit Committee on any significant matters which affect our audit conclusion.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two ongoing legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19.

The Council received an updated IAS19 valuation report to take into account the implications of the GMP and McCloud judgments and changes to the Pension Fund's asset values at 31 March 2019. This resulted in differences from the original report used to prepare the draft financial statements and management have amended the financial statements for these differences.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Minimum Revenue Provision (MRP)

Description of the management judgement

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

How our audit addressed this area of management judgement

In relation to the Council's MRP we:

- reviewed the Council's MRP policy to check that it had been developed with regard to the statutory guidance;
- assessed whether the provision has been calculated and recorded in accordance with the Council's policy;
- assessed whether the amount provided for the period was appropriate, taking into account the Council's Capital Financing Requirement; and
- confirmed that any charge has been accounted for in accordance with the Code.

Audit conclusion

Our review of the Council's MRP policy indicated that the Council was intending to take account of a £10m overpayment in respect of previous years. The updated statutory guidance clarifies that changing the method used to calculate MRP can never give rise to an overpayment in respect of previous years, and should not result in a council making a reduced charge on the grounds that it needs to recover overpayments of MRP relating to previous years. The Council is updating its MRP policy to reflect this and has not taken account of overpayments in respect of previous years in preparing its accounts for 2018/19. Our work has provided the assurance we sought in relation to the Council's accounts for 2018/19.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Accounting for the schools Private Finance Initiative and other school assets and liabilities

Description of the management judgement

The Council's 2018/19 financial statements set out its accounting policies in relation to the schools Private Finance Initiative and other school assets and liabilities, and their inclusion on the balance sheet. These assets and liabilities are material and the accounting treatment is based on management judgement and interpretation of the relevant accounting standards.

How our audit addressed this area of management judgement

In relation to accounting for the schools Private Finance Initiative and other school assets and liabilities we:

- reviewed the assessments carried out by management relating to the accounting treatment of these assets and liabilities and challenged the reasonableness of the judgments management has made; and
- substantively tested these areas as part of our planned testing programmes.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded that following the amendments that have been agreed they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstance. The Council's policies have been updated appropriately to reflect the changes for 2018/19 in respect of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers).

In recognition of the demands placed upon staff as a result of the earlier accounts production deadline, the Council has refined its closedown plan to enhance the project management of this complex process. This included providing working papers to aid the audit process, and officers engaging with the audit process in the period leading up to the year end in order to proactively address issues as they emerged.

Draft accounts were received from the Council on 31 May 2019 and were of a good quality. This represents a significant achievement by the finance team.

Opening Balances

We have performed relevant audit procedures on the Council's opening balances. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management

Minimum Revenue Provision (MRP)

Our review of the Council's MRP policy indicated that the Council was intending to take account of a £10m overpayment in respect of previous years. The updated statutory guidance clarifies in paragraph 29 that changing the method used to calculate MRP can never give rise to an overpayment in respect of previous years, and should not result in a council making a reduced charge on the grounds that it needs to recover overpayments of MRP relating to previous years. Management has acknowledged this issue and is updating the Council's MRP policy to reflect this and has not taken account of overpayments in respect of previous years in preparing its accounts for 2018/19.

Valuation of net defined benefit liability

In order to produce the IAS19 report for the accounts by mid April it was necessary for the actuary to use an estimate of the value of the Council's share of Derbyshire Pension Fund assets as at 31 March 2019. In previous years the estimate has been close to the actual valuation. However this year due to significant variations in asset valuations in the final quarter, the difference was greater and proved to be material at £31.662m less than originally estimated. Updated figures actuarial estimates were also required to take into account the impact of judgements made in relation to Guaranteed Minimum Pensions and the McCloud case.

Property valuations

The Code (para 4.1.2.38) permits assets to be valued on a rolling basis. Where assets are valued on a rolling basis there is a requirement that:

Where assets are revalued (i.e. the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period (Code para 4.1.2.37).

As noted in our consideration of the property valuation significant risk, we used a report commissioned by the National Audit Office (NAO) to challenge the assumptions made in the valuation of assets. The NAO report was prepared by Gerald Eve and included details of movements in BCIS (Building Cost Information Service) All-in Tender Price Index indices. We used this report to challenge the judgement that there had not been a material movement in those assets valued at 1 April 2018, or not valued in the year as part of the Council's rolling asset valuations. We are discussing the impact with the Council and will update the Audit Committee of the outcome of our discussions.

3) Group Accounts

The Code of Practice on Local Authority Accounting, paragraph 9.1.1.7 states:

'Authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.' The Council has assessed its subsidiaries, associates and joint ventures and considers them to be not material either qualitatively or quantitatively. We have considered management's judgement and are satisfied that the accounts are not materially misstated as a result of this judgement. In the coming years the Council will need to ensure it reviews this assessment and updates it for any significant changes.

4) New Waste Treatment Facility (NWTF)

The Council has considered whether the NWTF meets the definition of a service concession asset; this is an asset which a public sector entity, in this case the Council and Derby City Council, have control over, which is operated on their behalf by a private sector operator, in this case RRS. The asset has not been certified for full use and therefore the Council has not recognised its share of the assets and liabilities on the balance sheet at 31 March 2019. It is the Council's judgement that the whole unitary charge paid to RRS is, in substance, consideration for waste disposal services and this has been expensed to the CIES. We have reviewed management's judgement in this regard and are satisfied that the accounts are not materially misstated as a result of this judgement, although have recommend small changes to the description in the disclosure notes. For 2019/20 the Council will need to ensure it reviews this assessment to reflect changes in the assets operational effectiveness.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management (continued)

5) Accounting for Loans under IFRS 9

The gain on the modification of loans (which has arisen on loans modified prior to 2006) had as a result of the application of IFRS 9 been taken to the CIES by the Council. However, this is a transition adjustment, which should instead have been accounted for in opening reserves rather than in the current year in the CIES. The Council is adjusting the final version of its financial statements by £29.224m to reflect the correct accounting treatment. It should be noted that this adjustment does not impact the Council's General Fund.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff. We will meet with officers ahead of the 2019/20 audit to provide feedback on the detailed working papers and any improvement opportunities for other areas related to the accounts production and audit processes.

A challenging aspect of the audit related to the actuarial valuation of the Pension Liability that, as explained on page 10, impacted all local authorities and participants in a local government pension scheme. The Council prepared the draft financial statements based on guidance that had been issued at the time, however our view was that the actuarial valuations should have taken into account both the McCloud and GMP judgements. We raised our concerns at an early stage, however this is a complex area, required third party input, and within compressed reporting deadlines meant that the work performed presented some challenges for all parties.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We received one objection to the financial statements that were are in the process of considering.

Our draft audit report, in full, is set out in Appendix B.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	2018/19 issues identified	2017/18 issues outstanding
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

Controls in place in regard to the valuation process

Our 2018/19 testing of land and buildings valuations identified a number of issues, but did not identify any material errors. These issues included a misclassification of agricultural land as residential land, the omission of a school building and an inconsistent approach to the valuation of homes for older people. We do however acknowledge that management has taken steps to correct and address these matters together with the deficiencies identified in 2017/18 and has introduced a valuation manual to improve the accuracy and consistency of the valuation work undertaken.

Potential effects

Valuable assets are held by the Council. Inaccurate valuation or indexation can therefore result in large errors. This increases the risk of the Property, Plant and Equipment figure being materially misstated on the Council's Balance Sheet. For 2018/19 we did however obtain sufficient evidence to conclude the Property, Plant and Equipment figure for 2018/19 was materially correct.

Recommendation

The Council has taken steps to address the deficiencies identified in relation to the valuation of land and buildings, however it should now embed the processes set out in its valuation manual to ensure that valuation work is appropriately completed and checked on a timely basis to enable accurate entries to be made in the pre-audit statement of accounts.

Management response

Agreed. The valuation manual is a living document utilised by the asset valuation team to ensure effective valuation delivery. The team will focus on fully embedding the processes set out in the manual.

Responsible Officer: Sarah Morris

Other deficiencies in internal control – Level 2

Controls in place in regard to contracts of employment

During our payroll testing it became apparent that management could not locate the contracts of employment for 2 members of staff.

Potential effects

Contracts of employment are important documents that may be required to clarify terms and conditions of employment or to provide supporting information in relation to grievances or disputes. Not having access to such information could be prejudicial to the Council.

Recommendation

The Council should ensure that contracts of employment are held and are accessible in relation to all members of staff.

Management response

Management accept the recommendation and acknowledges the importance of contractual documentation. The two cases identified related to employees who work and are employed by Schools and therefore the Shared Services Centre do not hold the full employee file for the employee as this is the responsibility of the School to retain. Procedures for logging and sending paper documentation for employees within Schools who purchase the traded services package offsite will be reviewed in line with the HR retention schedule to ensure that an accurate record is maintained within the Shared Services Centre for all future documentation generated.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Controls in place in regard to the completeness of related party declarations

During our testing of related parties it was found that three councillors had not declared their membership of another public sector body.

Potential effects

Whilst there were no inherent conflicts of interest involved and it is acknowledged that this may simply have been an oversight, good practice encourages full disclosures to ensure transparency.

Recommendation

The Council should ensure that full disclosures are made and should emphasise the importance of full disclosures during the training sessions associated with the implementation of the Council's new constitution.

Management response

Agreed. The Council's new constitution came into effect on 15 May 2019 and the importance of full disclosures will form part of the training sessions associated with the new constitution.

Follow up of previous internal control points

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

Controls in place in regard to the valuation process – Level 1

The 2017/18 testing of land and buildings valuations identified errors for certain of the assets tested, in particular there was a failure to correctly apply indexation in undertaking the 2017/18 valuation work. This issue resulted from an oversight in the preparation of the valuation working papers and was identified by internal audit work after the pre-audit statement of accounts had been issued.

Potential effects

Valuable assets are held by the Council. Inaccurate valuation or indexation can therefore result in large errors. This increases the risk of the Property, Plant and Equipment figure being materially misstated on the Council's Balance Sheet. For 2017/18 the deficiency detailed above resulted in an audit misstatement amounting to £132m which was corrected by the Council.

2018/19 update

Our 2018/19 testing of land and buildings valuations identified a number of errors, but did not identify any material errors. These errors included a misclassification of agricultural land as residential land, the omission of a school building and an inconsistent approach to the valuation of homes for older people. We do however acknowledge that management has taken steps to address the deficiencies identified and has introduced a valuation manual to improve the accuracy and consistency of the valuation work undertaken. We welcome this initiative. We obtained sufficient evidence to conclude the Property, Plant and Equipment figure for 2018/19 was materially correct.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points (cont'd)

Controls in place in relation to SAP users with privileged access– Level 2

The predecessor auditor's IT user access testing for 2017/18 identified that controls needed to be implemented to ensure: the activities of SAP users with privileged access could be monitored; appropriate segregation of duties was achieved; and access rights were withdrawn when individuals left the organisation.

Potential effects

Without such controls SAP users with privileged access are not monitored, can access live systems they have developed and are not deactivated in a timely manner when they leave, meaning that inappropriate access to business critical systems would be possible.

2018/19 update

Our 2018/19 testing noted that whilst the position had improved there was not a documented incident management policy which included user access issues in the organisation. We are therefore recommending that further work takes place to put such a policy in place. Management agrees with this recommendation and is currently undertaking work to put such a policy in place.



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatement identified for adjustment during the course of the audit, above the level of our trivial threshold of £0.9 million.

We are discussing a potential unadjusted misstatements that has been identified at the closing stage of our audit. We will update the Audit Committee on the outcome of this discussion. The table below outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements 2018/19

		Before ((£'000)	After(£'000)
1	Balance Sheet - Net Pension Liability	824,567	870,547
	Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	92,799	106,927
	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	17,559	17,748
	Total re-measurements recognised in Other Comprehensive Income and Expenditure	135,007	166,670
Updated figures as a result of revised actuarial valuations taking into account the year-end value of assets in the Derbyshire Pension Fund and assumptions for GMP and the McCloud judgement. As this involves a large number of accounting entries, we have only set out the changes in the largest figures. There are also additional consequential changes to the Pension Fund note, but none of these items significantly impact the Council's General Fund.			

		Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
2	Financing & Investment income and expenditure: loan modification gains	29,224			0
	Movement in Reserves Statement		29,224		
Being the adjustment to recognise loan transition adjustments arising from the application of IFRS 9, which should have been accounted for in opening reserves rather than in the current year CIES under short term investments					

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

During our review of the financial statements we identified the following significant amendments to disclosures. These disclosure issues were corrected by the Council in the final version of its financial statements for 2018/19.

- 1 During our review of the Movement in Reserves Statement and the associated notes to the financial statements (Notes 15 and 31) we identified an inconsistency in relation to the value of transfers to earmarked reserves. In order to address this issue management has made corrections in the final version of its financial statements for 2018/19 to ensure consistency in relation to this information.
- 2 During our review of the notes to the financial statements (Note 48) it became apparent that the Council had not included land amounting to £1m in its operating lease costs. This does not affect the main financial statements, but is incorrect. In order to address this issue management has made a correction in the final version of its financial statements for 2018/19.
- 3 The Council identified that it had incorrectly classified its Revenue Support Grant as departmental and not corporate income in Note 41 on grant income. This does not affect the main financial statements, but is incorrect. In order to address this issue management has made a correction in the final version of its financial statements for 2018/19.
- 4 The Council identified that it had omitted text from the face of the Comprehensive Income and Expenditure Statement to clarify that certain items will not be reclassified to the surplus or deficit on the provision of services. Management has corrected this in the final version of its financial statements for 2018/19.
- 5 We reviewed the proposed disclosures in detail and fed back to management on a number of detailed issues which required amendments to be made for the final version of the financial statements. These issues included the accounting treatment of financial instruments that are held at Fair Value through Other Comprehensive Income (FVOCI). Certain financial instruments like the CCLA Property Fund do not meet the definition of equity in IAS 32 and do not qualify for the election to hold at FVOCI. In order to address this and the other detailed disclosure issues considered management has made corrections in the final version of its financial statements for 2018/19 to ensure the correct disclosures are made.

During our review of the financial statements we also identified some minor amendments to disclosures. These disclosure issues will be corrected by the Council in the final version of its financial statements for 2018/19.



5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion 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 conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we have not identified any significant risks to our VFM conclusion. We have though identified one specific matter which we needed to keep to under close review:

- Financial Sustainability

Our detailed findings are set out below. Based on the work performed, we are satisfied that the Council's arrangements are adequate.

Risk	Work undertaken	Conclusion
Financial sustainability –The Council continues to face financial pressure in the coming years and the Council keeps updating its medium term financial plan (MTFP) to meet these pressures. We needed to ensure our knowledge of the Council's MTFP arrangements and its monitoring of the planned delivery of savings, remained up to date in order to ensure we gave the correct VFM conclusion.	<p>We have assessed whether any matters have come to our attention through the course of our audit that lead us to conclude that a risk to our 2018/19 VFM conclusion does indeed exist.</p> <p>The Council underspent against s final net budget of £488.1m by £13.1m and this amount was put into the General Reserve to support the Council's future financial resilience. We confirmed the Council set a balanced budget for 2019/20 and at the same time updated the MTFP. The financial position post 2020/21 holds some uncertainties, which is a common issue for all bodies in the local government sector. Further work is required to identify specific a full suite of savings plans for 2020/21 and beyond and the outcome of the Fair Funding review will help inform the Council's plans.</p>	We obtained sufficient assurance to conclude that the Council continues to have appropriate arrangements in place.

Matters kept under review

Before drawing our conclusion, we have:

- updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- reviewed the Council's Annual Governance Statement for any significant issues; and
- considered the Council's financial outturn position as presented in the financial statements.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

23 July 2019

Dear Mark

The Council's management representation letter should be provided to us on client headed note paper.

Derbyshire County Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the statement of accounts for Derbyshire County Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & ICT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance & ICT for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2018/19 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Director of Finance & ICT
23 July 2019

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Derbyshire County Council – DRAFT Report on the financial statements

Opinion

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Derbyshire County Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & ICT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & ICT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance & ICT is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT

Responsibilities of the Director of Finance & ICT for the financial statements

As explained more fully in the Statement of the Director of Finance & ICT's Responsibilities, the Director of Finance & ICT is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance & ICT is also responsible for such internal control as the Director of Finance & ICT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & ICT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance & ICT is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Derbyshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Derbyshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Derbyshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark SurrIDGE

For and on behalf of Mazars LLP

Park View House
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NG1 5DW

26 July 2019

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APPENDIX C INDEPENDENCE

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

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



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