

# Audit Planning Update 2022/23

Derbyshire County Council

Audit Committee March 2023



**Purpose of this report**

Our planning work for the 2022/23 audit year is in progress. We are liaising with the finance team and completing our normal procedures plus the enhanced procedures required this year by ISA315 (revised). This work will continue through March and April and we expect to present our final Audit Strategy Memorandum to the Audit Committee at its June 2023 meeting.

This report provides the Audit Committee’s March 2023 meeting with an update on the conclusions and any significant matters arising to date from the 2022/23 audit planning.

**Scope of the Audit and our responsibilities**

The scope of our audit is unchanged engagement and 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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

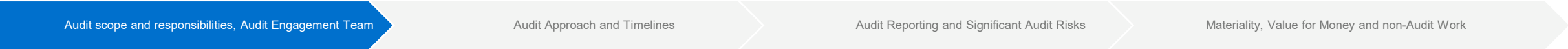
Our responsibilities continue to be are principally derived from the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

- Audit Opinion – giving an opinion on the 2022/23 Financial Statements
- Value for Money - forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources
- 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. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom
- Reporting to the NAO - We report to the NAO on the consistency of the Council’s financial statements and the matters arising from our audit which are relevant to the Council’s Whole of Government Accounts (WGA) submission

**Audit Engagement Team**

Your audit engagement team continues to be lead by Mark Surrige (Director and Key Audit Partner) and Mike Norman (Senior Manager).

The Vikash Patel is taking over from Bethan Frudd as Assistant Manager on the audit and they are liaising with the finance team regarding any continuing audit issues.



**Audit Approach and timeline**

Our audit approach is risk based; primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. The diagram below outlines the procedures we perform at the different stages of the audit and the indicative timeline at this stage based on the current national timetable. We will agree the specific timetable with the finance team and provide more details in our final Audit Strategy Memorandum.

There are no significant matters arising from the Planning and Interim visits to date to bring to the Committee’s attention. We will present the agreed Audit Strategy Memorandum to a future meeting of the Committee.

The completion of the 2021/22 audit was significantly delayed due to the late clarification by CIPFA and DLUHC of the national Infrastructure accounting issue which was reported in our 2021/22 Audit Completion Report. No change to these requirements is expected for 2022/23 so one of the objectives for this year is to complete the audit in line with the national timetable. We will keep the Committee informed as the audit progresses.

**Planning February/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
- Liaison with the Derbyshire Pension Fund audit team

**Completion November/December 2023**

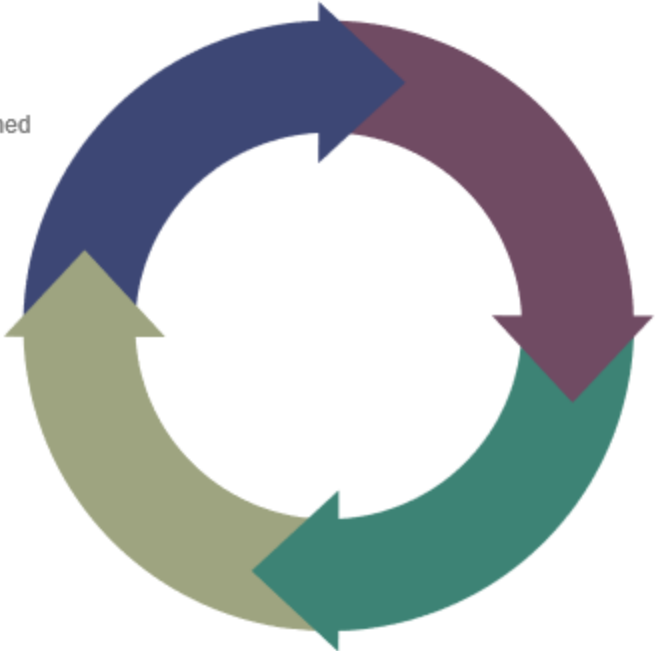
- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit Committee.
- Reviewing subsequent events
- Updating our VFM risk assessment
- Signing the auditor’s report

**Interim March/April 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
- Completion of our VFM risk assessment

**Fieldwork July – October 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
- Reviewing the assurances provided by the Derbyshire Pension Fund audit team
- Communicating progress and issues
- Clearance meeting
- Further work on any identified VFM risks



**Audit Reporting**

Our main reporting outputs will continue to be:

- Audit Strategy Memorandum – summarising the outcomes from our audit planning and proposed response. We will also report the indicative audit fees for the year.
- Audit Completion Report – summarising the outcome of our main accounts audit and expected audit opinion.
- Audit Report – encompassing our Audit Opinion on the financial statements and other required information.
- Auditor’s Annual Report – including our Value for Money Commentary. We will also report the final audit fees for the year.
- Audit Certificate – formally closing the audit

**Significant Audit Risks**

From the planning work so far we expect the significant audit risks to be similar to those identified for 2021/22. We will keep our risk assessment up to date and inform the Committee if there are any changes to these risks, and report our findings in relation to the risks in our Audit Completion Report.

Significant Audit Risk	Description	Identified previous year?
Management override of controls	This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	Yes
Property Valuation	Property related 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.	Yes
Valuation of net defined benefit liability	The Council’s accounts contain material liabilities relating to the local government pension scheme. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	Yes



## Materiality

We expect to again set materiality based on a benchmark of the Comprehensive Income and Expenditure Statement (CIES) total gross expenditure. 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 do not expect to alter these thresholds compared to the previous year and plan to base them on the following levels:

Threshold	Expected level	Likely value based on latest audited benchmark (2021/22 CIES total Gross Expenditure)
Overall materiality	1.5% of benchmark	£32.1m
Performance materiality	75% of overall materiality	£24.0m
Specific materiality: <ul style="list-style-type: none"><li>Officers' remuneration</li></ul>	£5k	£5k
Trivial threshold for errors to be reported to the audit committee	3% of overall materiality	£0.9m

## Value for Money Work

We have not identified any specific significant concerns from the value for money risk assessment to date and there are no risks of significant weaknesses in arrangements to bring to the Committee's attention at this stage. We will keep our assessment up to date and report any changes through our progress reports to the Committee.

The scope of the assessment is unchanged through the latest NAO guidance and the work carried out in 2021/22, helped by the updated supporting evidence from management, provides a good platform for the 2022/23 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is as expected an area where at all Councils we will need to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

## Non-Audit Work

We expect to again agree a separate engagement for the Reporting Accountant's Report on the Teachers Pensions return (2022/23). We are satisfied there are appropriate safeguards in place regarding any threats to our independence in relation to this and our core audit work.

Audit scope and responsibilities, Audit Engagement Team

Audit Approach and Timelines

Audit Reporting and Significant Audit Risks

Materiality, Value for Money and non-Audit Work

# Contact

## Mazars

Director: Mark Surridge

Email: [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Senior Manager: Mike Norman

Email: [michael.norman@mazars.co.uk](mailto:michael.norman@mazars.co.uk)

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