

Audit Progress Report

Derbyshire County Council and
Derbyshire Pension Fund

Audit Committee 19 September 2023



1. Audit Progress - 2021/22 Audit
2. Audit Progress – 2022/23 Audit

1. Audit progress – 2021/22 Audit

This section of our report provides the Audit Committee’s 19 September 2023 meeting with an update on the status of the 2021/22 County Council and Pension Fund Audits and their completion.

Derbyshire County Council

Audit Opinion on the 2021/22 Financial Statements

We presented our Audit Completion Report to the Audit Committee in November 2022. In our report we identified the status of the audit, the key findings to date and the remaining work. We committed to keeping the Committee informed on progress and the outcome of the work. We have provided the Committee with update reports since then, including an updated Audit Completion Report to the Committee in March 2023. There were two national issues which held up the completion of the audit

- **Infrastructure Assets** - in our November 2022 report to the Committee we highlighted a national accounting issue in relation to infrastructure assets, which could not be progressed at that time of our report until CIPFA and Department for Levelling Up, Housing and Communities (DLUHC) had resolved the expected accounting treatment and issued relevant guidance to Councils. The guidance was issued on 11 January 2023 and we have liaised with finance team to determine the impact on the Council’s financial statements. We are satisfied that, subject to the notes to the financial statements being amended to include the disclosures required by the guidance, the Infrastructure balances and transactions are not materially misstated. We also agreed with the finance team that the approach to determining the depreciation estimate for Infrastructure assets is to be revised as part of the preparation of the 2022/23 financial statements to ensure it more closely follows the expected practices and more clearly reflects the nature of the specific assets in use.
- **2022 Triennial Pension Fund Valuation** - The 2022 Triennial Pension Fund valuations, which were reported in March 2023, showed material movements in the estimated 31/3/2022 net liability valuation, largely due to updated membership details. The Regulators and audit suppliers confirmed in May 2023 the way forward to address this. As part of this:
 - Councils have been required to obtain updated IAS19 valuation reports and amend the draft financial statements for the new figures. This additional work was completed in August 2023 and the adjustments required to the draft financial statements agreed with Management.
 - Pension Fund auditors have needed to complete testing on the reliability and accuracy of the updated pension fund membership data used as part of the 2022 Triennial valuation. The results from this work, confirming the updated pension fund membership data can be relied upon, was completed in August 2023.

1. Audit progress – 2021/22 Audit (continued)

[Audit Opinion on the 2021/22 Financial Statements \(continued\)](#)

In July 2023 the Council settled the legal case (dating back to 2019) relating to the Long Term Waste Contract, with £56.9m paid by the Council. This was disclosed as a Contingent Liability in the 2021/22 draft Financial Statements. The value of the settlement is material and we are currently discussing with management the reporting requirements as an adjusting Post Balance Sheet Event and agreeing any changes to the draft financial statements' disclosures and balances.

Once this final matter is resolved we expect to move quickly towards giving an unqualified audit opinion on the County Council's updated and final Financial Statements. We will provide the Committee, alongside with the audited Financial Statements, with a letter updating our November report on any additional findings and summarising the final adjustments to the financial statements.

[Auditor's Annual Report 2021/22, including the Value for Money Commentary](#)

We reported our interim findings in relation to the Council's Value for Money arrangements for 2021/22 in our November 2022 report to the Committee and have continued to keep our risk assessment up to date. There have been no significant changes to our assessment of the Council's arrangements and there are no significant risks or weaknesses to highlight in this report. We will update our assessment and set out our findings and conclusions in the 2021/22 Auditor's Annual Report, which we expect to be issued alongside the audit opinion on the 2021/22 Financial Statements.

[Audit Certificate 2021/22](#)

We are required 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. We have not received any questions or objections in respect of the Council's financial statements and there are no ongoing matters in relation to this specific responsibility.

The National Audit Office has not yet finalised their requirements of auditors in relation to the Council's 2021/22 Whole of Government Accounts. We do not foresee any significant concerns in relation to this but we are unable to issue our audit certificate until this is formally confirmed. We will update the Committee when this has been concluded.

1. Audit progress – 2021/22 Audit (continued)

Derbyshire Pension Fund

[Audit Opinion on the 2021/22 Financial Statements](#)

We presented our Audit Completion Report to the Audit Committee in November 2022. In our report we identified the status of the audit, the key findings to date and the remaining work. We committed to keeping the Committee informed on progress and the outcome of the work. We have provided the Committee with update reports since then, including a Progress Report to the Committee in March 2023.

There are no additional matters to report and no outstanding audit work. We proposing giving an unqualified audit opinion on the Pension Fund Financial Statements included in the Statement of Accounts at the same time as the audit opinion is given on the County Council's Financial Statements.

2. Audit Progress – 2022/23 Audit

2022/23 Audit Planning

At the March 2023 meeting of the Committee we shared a summary of the key elements of our 2022/23 County Council and Pension Fund Audit Strategies, including:

- Our audit responsibilities and planned communications with the Committee
- The key members of the audit team and their responsibilities
- The planned audit approach and the timing of the key stages of the audit
- The significant audit risks identified and our planned response
- The expected materiality thresholds to be applied in carrying out our audit work and evaluating any errors or misstatements identified
- The approach to completing our assessment of the County Council's VFM arrangements and the outcome from the initial risk assessment.

Copies of the full Audit Strategy Memoranda are included elsewhere on the Committee's September 2023 agenda. There are no significant changes to the March 2023 summaries of our approach, scope of the audit, the areas of focus and audit risks and no additional concerns that we need to highlight to the Committee.

County Council

Accounts Audit Progress

The audit work is being completed in two stages, with the first phase carried out at the end of July 2023. This work focused on selection of audit samples and early testing. We have continued to liaise with management regarding the initial audit queries raised. The second stage of the audit work, focusing on evaluating the responses to our sample requests and completing the other areas of audit work, is scheduled for October 2023.

The only points to highlight for the Committee at this stage are as follows:

- Long Term Waste Contract Settlement – as described earlier in this report we are discussing with management the impact of this Post Balance Sheet Event on the disclosures and balances in the draft financial Statements.
- Net Pension Asset - The 2022 Triennial Valuation of the Fund, and changes in the Actuaries' assumptions in 2022/23 have seen significant movements in the Pension liability valuation, with many employers IAS19 reports showing a net Asset position. The accounting requirements in these circumstances are complicated and require careful judgement. We have now received the updated auditor guidance on this and are discussing the Council's approach with management.

We will keep the Committee updated on progress and expect to present our Audit Completion Report in November 2023.

2. Audit Progress – 2022/23 Audit (continued)

County Council (continued)

Value for Money Arrangements

We have kept our risk assessment up to date and no significant weaknesses in the Council's arrangements for 2022/23 have been identified. We will keep our risk assessment up to date and report any additional matters through our Audit Completion Report and Auditor's Annual Report.

Pension Fund

Accounts Audit Progress

Our final accounts audit for 2022/23 is underway with no issues to draw to the attention of the Audit Committee at this stage.

We will keep the Committee updated on progress and expect to present our Audit Completion Report in November 2023.

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Pension Fund

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