

Audit Progress Report

Derbyshire County Council

November 2023



1. Audit progress

Background

This report provides the 5 December 2023 Audit Committee meeting with an update on progress against the External Audit at the end of November 2023

[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.

We provided a further update report to the Committee in September 2023 which confirmed that two national issues which had been holding up the completion of the audit (accounting for Infrastructure Assets and the 2022 Triennial Pension Fund Valuation) had been resolved and any changes required to the draft financial statements agreed. None of these changes need to be reported to the Committee at this stage or before the audit is completed.

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 have been discussing with management the reporting requirements as a Post Balance Sheet Event and to determine whether any changes to the 2021/22 draft financial statements is required. Management provided a response to our enquiries and copies of relevant documentation in November 2023. Once this final matter is resolved we expect to move quickly, and hopefully before the end of December 2023, towards giving an unqualified audit opinion on the County Council's updated and final Financial Statements. We will provide the Committee with a follow-up letter confirming the completion of the audit.

[Audit Opinion on the 2022/23 Financial Statements](#)

The full Audit Strategy Memorandum 2022/23 was reported to the Committee's September 2023 agenda, together with a summary of progress. We reported that the audit work was being completed in two stages, with the first phase carried out at the end of July 2023.

The second stage started as scheduled to in October 2023. Although the audit work is virtually complete there are some significant matters still in progress which need to be finalised before we can issue the audit opinion these are summarise in the table on the following page.

Audit Progress

Audit Status 2022/23

The matters in progress include the following significant matters.

Area of review	Details
Financial Systems - walkthroughs	The newly introduced ISA315 has extended the range of the financial systems and business process controls we need to document and test. We are concluding that work, including testing of year-end reconciliation controls, alongside the main financial statements audit.
Journals	We are clearing with Management the few remaining queries relating to the year-end material journals
Transaction testing	There are a few remaining queries arising from our testing of non-pay, cut-off and grants income. We are liaising with Management to obtain the required additional information and explanations.
Cash and Bank	One year-end bank balance verification request has not been received yet
Contingent Liabilities/Provisions	Long Term Waste Contract Settlement – we are discussing with management the impact of the July 2023 Long Term Waste Contract Settlement on the disclosures and balances in the 2022/23 draft financial Statements. We have requested additional information from the Council and are seeking internal technical advice before we conclude on this matter .
Land and Buildings' valuations testing	We are liaising with the Council's Valuer and Management to obtain the required additional information and explanations.
Pensions	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 discussed the Council's approach with Management and an additional IAS19 valuation report has been requested from the Council's actuary so that any changes to the draft Financial Statements can be agreed. We also need the Pension Fund audit team to complete its testing of the Fund's investment assets and then respond to our assurances request.

We will keep the Committee updated on progress and expect to present our Audit Completion Report to the Committee's January 2024 meeting

Audit progress

Auditor's Annual Report, including the Value for Money Commentary

We reported our interim findings in relation to the Council's Value for Money arrangements 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 as reported through subsequent progress reports and there are no additional significant matters to highlight in this report. The main focus of our risk assessment continues to be the Council's financial sustainability and we are continuing to monitor the steps being taken to address the forecast medium term budget gap. We will update our assessment and set out our findings and conclusions in the Auditor's Annual Report, which we expect to be issued in January 2024.

Other Audit Responsibilities

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 for 2021/22 and 2022/23 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 and 2022/23 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.

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