

# Audit Progress Report

Derbyshire County Council – year ended  
31 March 2022 and 31 March 2023

March 2024



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## Appendix A: Insights and publications

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO').

This report updates the Audit Committee with the work performed in relation to the financial years ended 31 March 2022 and 31 March 2023 and are summarised below.



## Opinion on the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

### 2021/22

Our audit report, issued in December 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

### 2022/23

Our audit report, to be issued in March 2024, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

### 2023/24

Our planning work for 2023/24 is underway and we are in the process of agreeing dates over the summer to complete our work with the aim to complete this audit by October 2024.



## Value for Money arrangements

Section 3 provides our draft commentary on the Council's arrangements covering both 2021/22 and 2022/23.

We expect to issue the final Auditor's Annual Report and commentary in March 2024.



## Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts for both 2021/22 and 2022/23 remains incomplete whilst we wait for final instructions from the National Audit Office on sampled components.

# 02

Section 02:

**Progress update on the financial  
statement audit**

## 2. Audit of the financial statements 2022/23

### The scope of our audit and the indicative results of our opinion

Our detailed findings on the audit were presented to the Audit Committee in November 2023.

Audit Area	Description	Outcome: 2022/23
Financial Statements	The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position and of its financial performance for the year then ended.	Our audit report, to be issued in March 2024, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.
Qualitative aspects of the Council's accounting practices	We review the Council's accounting policies and disclosures to determine if they comply with the Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.	We review the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.
Internal Control Recommendations	As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.	No 'High' Priority recommendations were raised
Annual Governance Statement	We review the governance statement for compliance with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> <li>• issue a report in the public interest;</li> <li>• make statutory recommendations that must be considered and responded to publicly;</li> <li>• apply to the court for a declaration that an item of account is contrary to law; and</li> <li>• issue an advisory notice under schedule 8 of the 2014 Act.</li> </ul>	We have not exercised any of these powers as part of our 2022/23 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. No such objections have been raised.

## 2. Audit of the financial statements 2022/23

### Update on audit progress

Our detailed findings on the audit were presented to the Audit Committee in November 2023.

Audit area recorded as incomplete in November 2023	Matters previously reported as outstanding	Status	Conclusions
Net Pension Liability	We are awaiting a response to our request for assurances from the Pension Fund Auditor which is due to be received at the end of January 2024. Our work to conclude on the accounting implications and calculations of any ceiling to the amount of pension asset to be recognised is being finalised.	Complete	Our work has identified an adjustment to the carrying value of the net pension liability which management has decided not to process in the financial statements. This is recorded as an unadjusted misstatement on the next page.
Completion procedures	Procedures such as our quality control and engagement lead review, consideration of any post balance sheet events, technical review of the financial statements, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report	Incomplete. We are waiting for clearance of residual queries on the pension fund audit relating to accounting disclosures in the financial statements. Once complete, which we believe is imminent, we expect to issue our audit report in March 2024.	N/A
Whole of Government Accounts	We have not yet received information from the National Audit Office in respect of sampled components for additional work and we are unable to finalise our certificate until then.	Incomplete.  We have not yet received final instructions from the National Audit Office and therefore are unable to issue the certificate.	N/A

## 2. Audit of the financial statements 2022/23

### Update on audit progress: audit misstatements

This section outlines the misstatements identified during the audit, above the trivial threshold for adjustment of £1.022m. The table below sets out the misstatements that were identified from our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of Services – Education Cr: Debtors	1,865			1,865
Extrapolated error reported in January 2024: Our testing of grant income identified an error in the double counting of pupil premium grant, which when extrapolated across the untested population indicates that income and debtors in 2022/23 are overstated by £1.9m					
2	Dr: Net Pension Liability Cr: Pension Reserve			4,570	4,570
Extrapolated error reported in January 2024: From our engagement with the pension fund auditor, we have been notified of a (provisional) estimated difference (0.18%) in the information provided to the actuary to calculate pension fund assets. This represents the estimated impact on the Council's share of pension fund assets.					
3	Dr: Net Pension Liability Cr: Pension Reserve			12,430	12,430
Additional matter: The Council was provided with calculation from the actuary to put a cap on the amount of pension fund asset surplus to be recognised in 2022/23. Subsequent calculations showed this ought to have been nil, meaning the pension asset surplus is understated by £12m.					
Total unadjusted misstatements 2022/23		1,865	-	15,029	16,894
Unadjusted items from the prior year having a continuing effect					
4	DR: Infrastructure Assets CR: Unusable reserves – Capital Adjustment Account			5,827	5,827
Correction to previously reported item: Estimated error (prior year): In 2021/22, management reviewed its accounting treatment for infrastructure assets, which identified an estimated difference of £9.4m less depreciation of £3.6m (which we omitted from our January report), which management chose not to adjust for on the grounds of material.					
Total unadjusted misstatements		1,865	-	20,856	22,721



## 2. Audit of the financial statements 2022/23

### Update on audit progress: audit misstatements

Item 2 on the previous page reflects an estimated upward movement of £4.57m in the pension asset, however because there is an asset ceiling (item 3), the actual correctly would be capped at £12.4m and not £15.029m. We have included the gross value in the table above for completeness, but on a net basis, it would be presented as:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Total unadjusted misstatements 2022/23	1,865	-	15,029	16,894
Effect of the pension asset ceiling	-	-	(4,570)	(4,570)
Revised sub-total of misstatements in 2022/23	1,865	-	10,459	12,324
Unadjusted items from the prior year having a continuing effect			5,827	5,827
Total unadjusted misstatements	1,865	-	16,286	18,151

### Adjusted misstatements:

No substantial adjustments have been made to the financial statements. Some disclosure changes have been made to the financial statements, with the only item that we would bring to the Committee's attention is with the narrative explanation regarding the position on the Sinfin Waste Treatment Centre to reflect the outcome of the settlement in 2023.

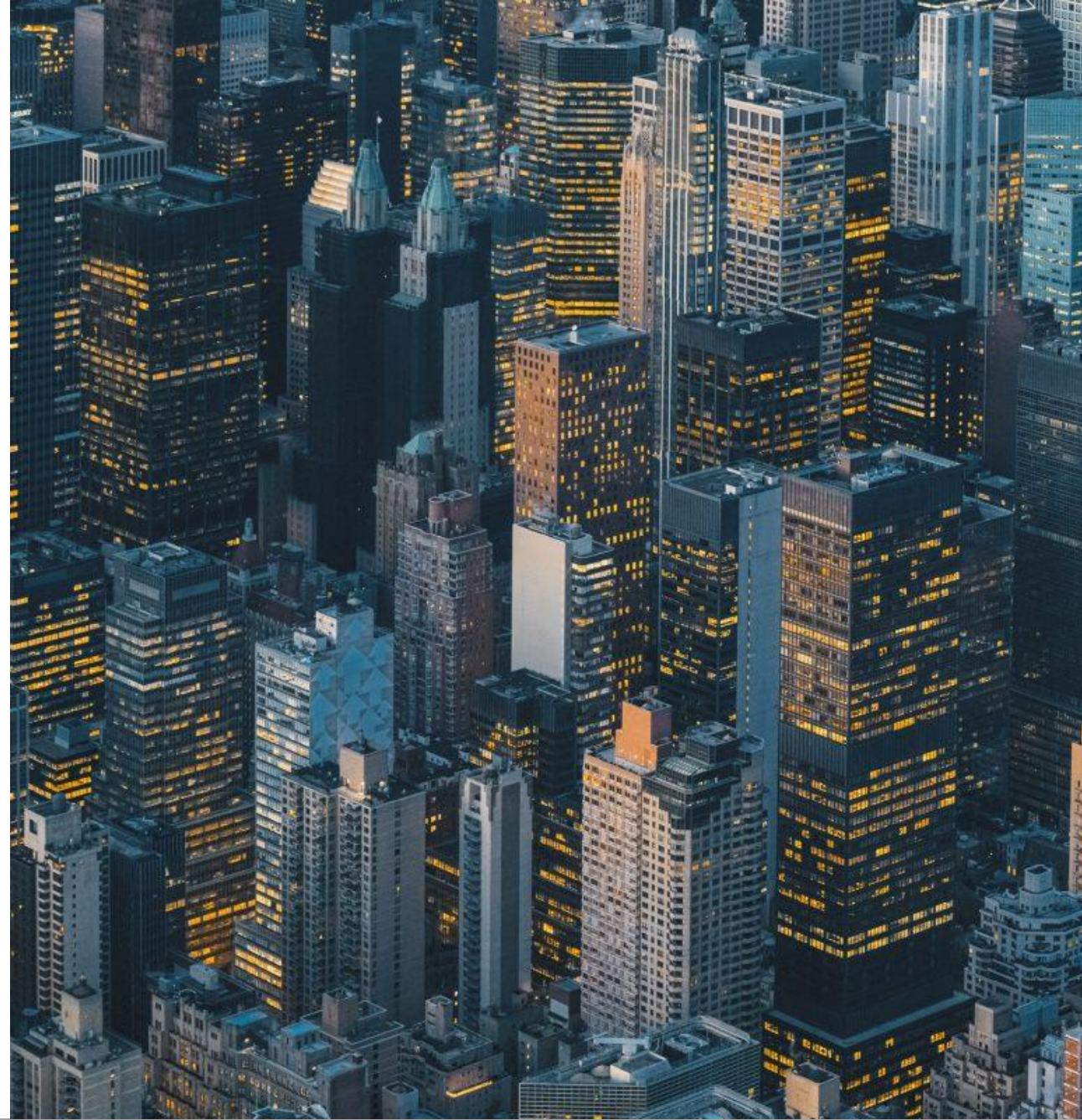
# 03

Section 03:

**Draft Commentary on VFM  
arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary



# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the draft outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	14	No	No	No
 <b>Governance</b>	19	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	23	No	No	No

# 3. Commentary on VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

Significant weakness in 2020/21	No
Significant weaknesses identified in 2021/22	No
Significant weaknesses identified in 2022/23	No



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Position brought forward from 2020/21

There are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2020/21. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2021/22 or 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22 and 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

### 2021/22 and 2022/23 Statement of Financial Position

We have audited the 2021/22 and 2022/23 financial statements. In both years, the Council adequately summarises the financial position of the Council, including performance against its budget through the narrative report. Our review of the financial statements does not highlight a risk of significant weakness in arrangements for financial sustainability.

We considered financial outturn as presented to Cabinet in July 2022, with a net underspend against the portfolio budget of £1.2m, which we deem to not be significant.

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability:

£m	31-Mar-21	31-Mar-22	31-Mar-23
General Fund Balance	78	61	33
Earmarked Reserves	261	283	272
<b>Total Revenue Reserves</b>	<b>338</b>	<b>344</b>	<b>305</b>
Capital Reserves	82	68	95
<b>Total Usable Reserves</b>	<b>420</b>	<b>412</b>	<b>400</b>

# VFM arrangements – Financial Sustainability

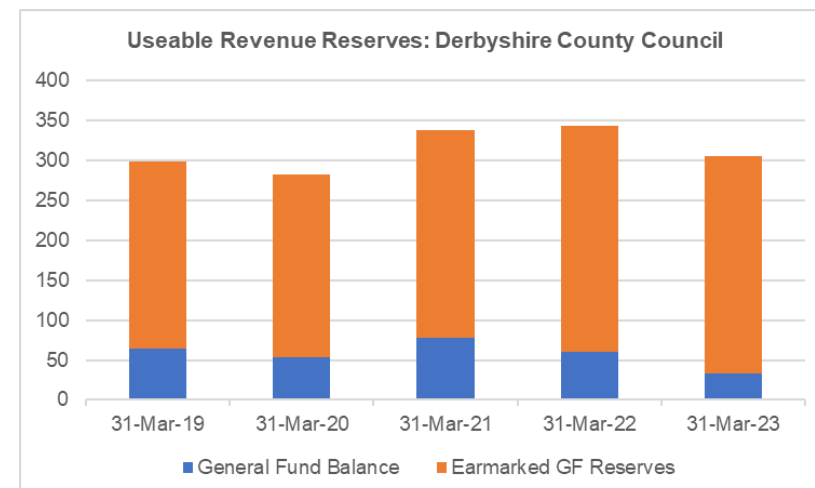
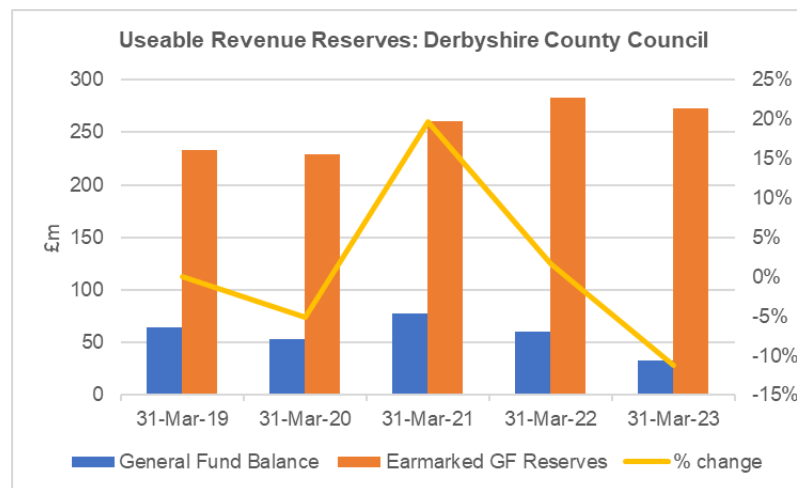
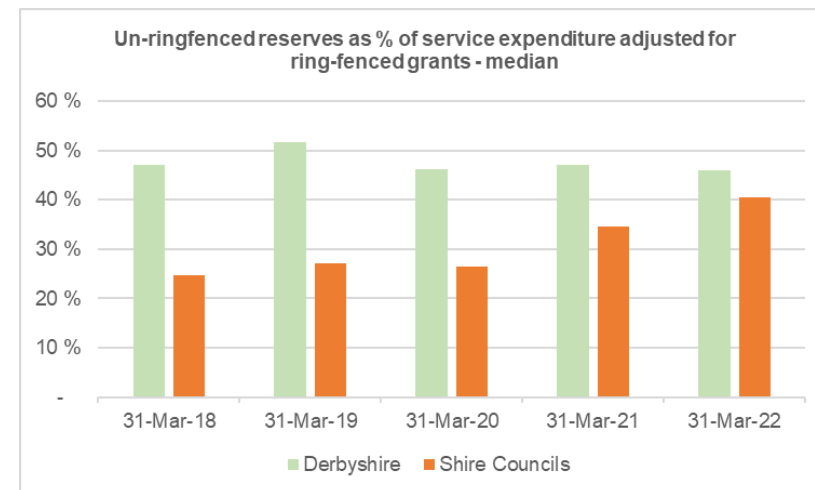
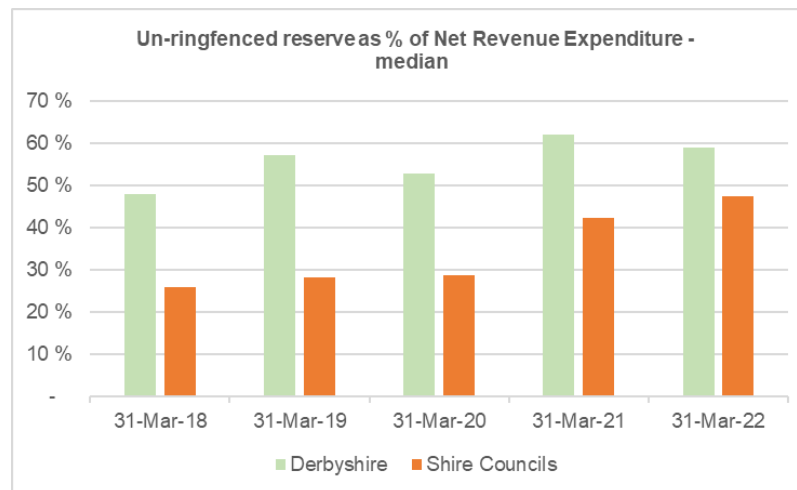
## Financial sustainability and revenue reserves

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

We have also performed a more detailed review of the Council's revenue reserves:

1. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22. The Council's reserves have generally been above the median compared to County Council since 2018 (top two charts right).
2. Through a review of the financial statements, we have considered the Council's revenue reserves over time where the Council's General Fund Balance at 31 March 2023 is approximately half that from 31 March 2019 (£65m vs £33m), and whilst overall revenue reserves are up (£298m vs £305m), the Council is on a downward trend.

The Council's Reserves position does not give us cause for immediate concern in relation to a risk of significant weakness in arrangements to secure financial sustainability for the year ended 31 March 2022 and March 2023. Whilst reserves remain stable, they are finite.



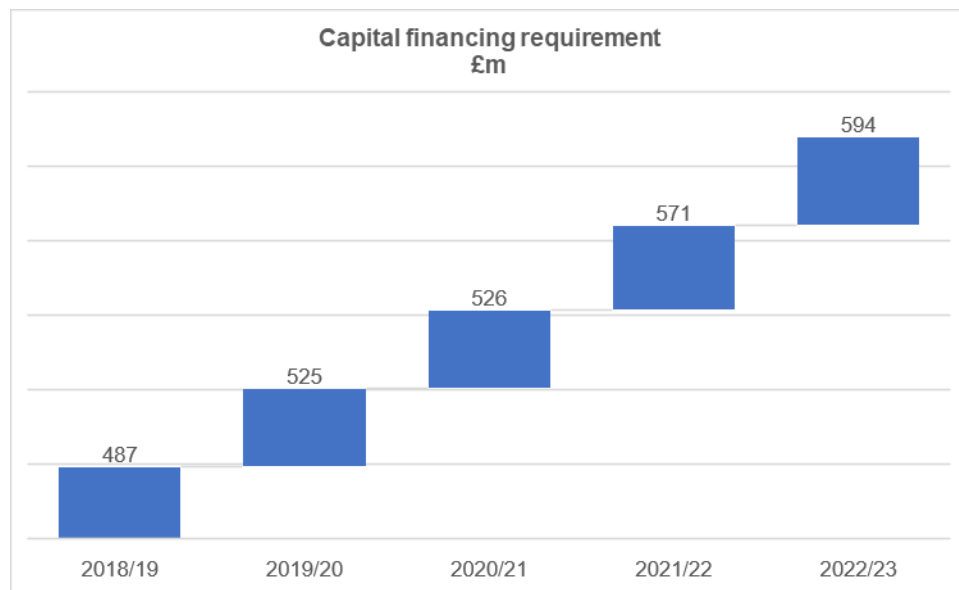
Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>



# VFM arrangements – Financial Sustainability

## The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate. We considered the Council's capital financing requirement as set out in Note 15 of the financial statements, which has risen to £571m in 2021/22 and £594m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure.



In 2021/22, the Council spent £114m on capital additions, including £16m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). In 2022/23, this fell slightly to £100m (including £15m REFCUS). Our testing of these balances did not identify any material issues.

As part of paying down the capital financing requirement, the Council charged £12m in 2021/22 to the general fund as a "Minimum Revenue Provision", and £21m in 2022/23. The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2021/22 and 2022/23 and its supporting calculations as

part of our work on the financial statements audit and have benchmarked the Council's charge against our database of other county councils:

Minimum Revenue Provision as a % of the Capital Financing Requirement	2021/22	2022/23
County councils: average	2.0 %	3.3 %
County councils: bottom quartile	2.0 %	3.2 %
Derbyshire County Council	2.1 %	3.6 %

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

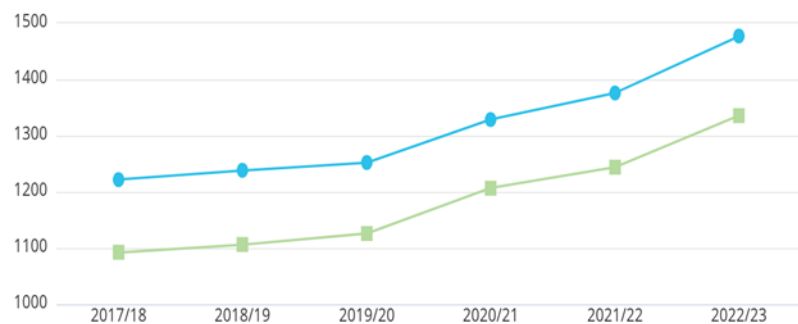
# VFM arrangements – Financial Sustainability

## The Council's financial planning and monitoring arrangements

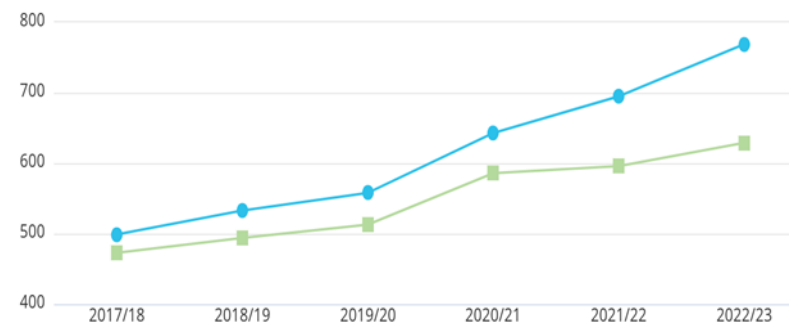
Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements (2021/22 and 2022/23), we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including reporting to Members.

We also used VFM spending profiles produced by LG Inform ([vfm.lginform.local.gov.uk](http://vfm.lginform.local.gov.uk)) to provide context on the Council's spending, which show the Council (blue line) is above average in its spending overall when compared to all County Councils (green line), with rising costs following a similar pattern as the average – albeit with spending on children and young people converging. Whilst it represents opportunities for cost reduction, it does not present a risk of significant weakness in arrangements.

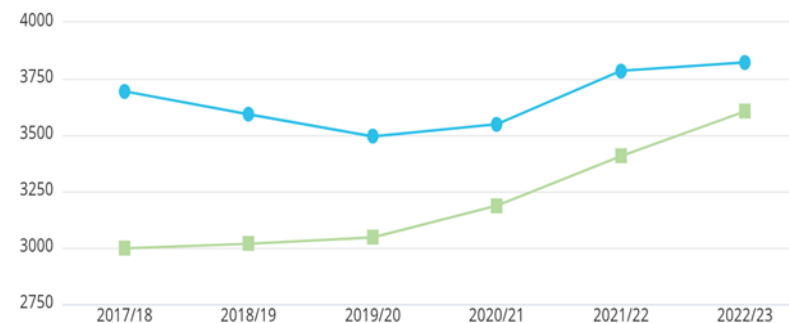
Total net current expenditure per head (from 2017/18 to 2022/23)



Total expenditure on adult social care per adult (from 2017/18 to 2022/23)



Total gross expenditure on all children and young people services per head 0-17 yrs (from 2017/18 to 2022/23)



Overall, we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022 and 31 March 2023.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

Significant weakness in 2020/21	No
Significant weaknesses identified in 2021/22	No matters arising.
Significant weaknesses identified in 2022/23	No matters arising.



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Position brought forward from 2020/21

There are no indications of a significant weakness in the Council's arrangements for governance brought forward from the previous year.

### The Authority's governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear in support of informed decision making. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

### Risk management

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements for 2021/22 and 2022/23 with no significant issues arising.

### Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly. Our attendance at meetings has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have reviewed Internal Audit's reports to the Audit Committee and attended Audit Committee to observe the performance of Internal Audit. We have read the head of internal audit's report for 2021/22 and 2022/23 and are satisfied it does not highlight any unidentified significant weaknesses in arrangements. We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement.

No issues arose from this review to indicate there is a significant weakness in the Council's arrangements for governance.

### Financial reporting

As set out in the commentary on financial sustainability, our minute reviews confirm Cabinet receive regular reporting on financial performance and on progress against the corporate plan. Our review of the Quarterly performance reports demonstrate these are in sufficient detail to enable oversight and/or take corrective action if required and we have not identified any significant weaknesses in the Council's arrangements for governance. Furthermore, our work on the financial statements audit did not highlight any significant issues regarding the Council's arrangements for statutory financial reporting or significant internal control weaknesses.

### Conduct

The Council has a code of conduct for employees and members, embedded in its constitution. The Council's website provides guidance on complaints about members and a Governance, Ethics and Standards Committee is in place with responsibility for promoting and maintaining high standards of conduct by members and assisting members of the Council to observe our code of conduct.

# 3. VFM arrangements – Governance

## Overall commentary on the Financial Sustainability reporting criteria

### Budget Setting and the Medium-Term Financial Strategy (MTFS)

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits.

We have read committee reports covering budget setting for 2021/22 and 2022/23, including the Medium-Term Financial Strategy (MTFS). The production of the Council's budget is undertaken in accordance with the requirements of the Council's Constitution, which requires Cabinet publicises a timetable for making proposals to full Council in relation to the annual Revenue Budget, along with arrangements for consultation with stakeholders, which should be for a period of not less than six weeks.. There is no indication that the Council's MTFS and budget setting process is not aligned to supporting plans.

We read the report to Council in February 2022 and 2023 where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions, including pay and inflation, and that these assumptions are not unreasonable.

We also considered the funding of the MTFS, in particular the use of balances and the level of savings required, which we have summarised as:

£m	2023/24	2024/25	2025/26	2026/27	2027/28
Funding (pre reserves and use of balances)	654.5	685.8	684.5	702.9	720.7
Use of other balances	23.7	4.7	5.2	2.0	2.0
<b>Total funding</b>	<b>678.2</b>	<b>690.4</b>	<b>689.7</b>	<b>704.9</b>	<b>722.7</b>
Budget savings identified	16.2	16.0	4.2	1.2	-
<b>Further savings required</b>	<b>-</b>	<b>-</b>	<b>6.1</b>	<b>0.7</b>	<b>2.1</b>

The Council identified the need to save £46.4m by 2027/28, of which it reports that £37.6m have been

identified, and this is after the use of £37.6m balances.

The Council's reports adequately explain the cost pressures facing the Council, which are closely linked with social care pressures across adults and children's. The extent of the challenge is, in our view, sufficiently clear in the report to Members, and the 2023/24 MTFS demonstrates the need to address and deliver savings in the early years of the MTFS to avoid an escalation of risk over time.

We are also aware of steps the Council has taken during 2023/24 to mitigate rising costs. From our review of cabinet reports, and discussions with officers we are aware that the Council was forecasting an overspend of £46m for 2023/24, resulting in intervention in September 2023. Our review of Cabinet reports in March 2024 identified that the forecast overspend had reduced from £46m to £34m.

The Council has relied on reserves to support the financial position. In March 2024, Cabinet were informed that the Council was intending to draw on an additional £14m from earmarked reserves on top of the planned £24m of the budget management reserve in 2023/24 – a total of c£38m of reserves to maintain financial balance.

Public services have been struggling financially for some time, and understandably, many local authorities have been focusing on short-term measures to plug the finances.

Earmarked Reserves totalled £272m as at 1 April 2023. Of this total, £59m (22%) was available to support future spending

The Council recognises the use of reserves is not sustainable.

# 3. VFM arrangements – Governance

## Overall commentary on the Financial Sustainability reporting criteria

### Budget Setting and the Medium-Term Financial Strategy (MTFS)

We also considered the position regarding the 2024/25 budget and MTFS – although it is important to note that this is not relevant to the arrangements in place for the year ending 31 March 2023

The report to Cabinet in February notes the significant challenges facing the Council and the need to implement robust project governance to deliver the savings required to maintain financial balance. In our experience, transformation takes time and local authorities are facing significant issues in the here and now. For example, in March 2024, 19 of the most challenged local authorities permitted to fund £1.5bn of day-to-day spending through capital flexibilities which will be funded through borrowing or selling assets.

With the announcement of a Public Sector Productivity Plan in Budget 2024, local authorities must focus on transformation with demonstrable returns on investment, instead of short-term efficiency gains and prioritise digital skills and capabilities. Given the position the Council is in, it will need to face some challenging questions:

- Will this investment resolve the underlying financial challenges facing the adult and children’s social care?
- How can the Council calculate and demonstrate the link between investment and savings? And how will it validate these have actually been achieved?
- In the midst of a recruitment and retention crisis, who will deliver the transformation and who will embed the change needed?

Ultimately, these are matters for the Council to consider during 2024/25.

We have not identified any indicators of a significant weakness in the Council’s arrangements relating to the Governance criteria for the year ended 31 March 2022 and 31 March 2023.

# 3. Commentary on VFM arrangements

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

Significant weakness in 2020/21	No.
Significant weaknesses identified in 2021/22	No matters arising.
Significant weaknesses identified in 2022/23	No matters arising.



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### Position brought forward from 2021/22

There are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year. The Council's arrangements for 2021/22 and 2022/23 are consistent with 2020/21, which were deemed adequate.

### Corporate Plan and Performance Monitoring

The Council's corporate plan sets out what it wants to achieve for local residents and communities. The Council Plan is supported by the Financial Plan and an overarching Delivery Plan, and each department has a Service Plan which sets out how that department will deliver the headline initiatives and actions in the Council Plan. The Council's budget endeavours to ensure the provision of the appropriate resources required to deliver the Council's Plan, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

Our review of committee reports confirms Cabinet receive periodic (Quarterly) reports on performance which summarises performance against target to analyse performance and take corrective action as required. The Performance and Budget Monitoring Report presents both Council Plan performance and financial budget monitoring and forecast outturn data. The Performance Summary sets out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provide an overview of the Council's overall budget position and forecast outturn. The report also summarised progress on Council Plan deliverables and the controllable budget position by Cabinet Member Portfolio. Reports are also considered by Audit Committee in accordance with the Budget Monitoring Policy and Financial Regulations.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for scrutiny and oversight of service and financial performance at the Council.

### Regulators

Our review of minutes was supported by a review for any reports issued by Ofsted. We obtained the full inspection report, published in November 2023 where services were rated 'good' and read the focused inspection letters issued in November 2021 and September 2022. Overall, we are satisfied these do not indicate there is a significant weakness in the Council's arrangements for assessing and improving performance in services.

### Partnerships and Commissioning

Our work on the financial statements has not identified any significant concerns regarding commissioning or procurement.

### Sinfin Waste Treatment Plant

Derby City Council and Derbyshire County Council contracted with Resource Recovery Solutions Derbyshire (RRS) to manage the Sinfin Waste Plant. The waste treatment centre was due to open in Sinfin in 2017, but RRS has been unable to resolve ongoing issues that would allow the facility to pass the certified performance tests required to bring it into full service. In April 2019, the two councils issued a formal notice to the project's funders to take action under the contract to progress the project. The agreement with RRS to manage the Sinfin Waste Plant was cancelled in August 2019 when the banks funding the project issued a legal notice. During 2021/22 and 2022/23 work has continued to determine the condition and capability of the new waste treatment with the support of professional advisors.

In 2020/21, we reported that we had identified the following as being indicative of adequate arrangements being in place:

- Contracts in place to maintain associated service and maintenance of the facility.
- The appointment of legal and technical advisors and continued joint working with Derby City Council.
- Regular officer led meetings and work plans in place, including reporting to Members and Cabinet.
- Incorporation of Waste Treatment solutions in both the strategic risk register and therein subject to regular review and oversight through the risk management arrangements in place for the Council.
- Incorporate of Waste Treatment solutions into the departmental service plans and therefore the Council's performance management arrangements to support the achievement of the corporate plan.

We have maintained ongoing dialogue with the Council regarding the treatment centre, including consideration of the impact to the 2021/22 and 2022/23 financial statements of the £93m settlement. Our work has not identified any indication of a significant weakness in arrangements.

Our work has not identified a significant weakness in the Council's arrangements in relation to the economy, efficiency and effectiveness reporting criteria for the year ending 31 March 2022 and 31 March 2023.



# 04

## Section 04: **Audit fees**

## 4. Audit fee update

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

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 Actual fees	2021/22 Actual fees*	2022/23 fees*	2023/24
PSAA's scale fee in respect of our work under the Code of Audit Practice	96,524	96,524	108,489**	323,742
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties	11,965	11,965	N/A included in revised scale fee	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	4,644	4,700	4,700	-
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315 Risk Assessment)	-	-	11,100	-
Other additional testing – covid-19 testing	1,188	-	-	-
Additional work in relation to accounting for Sinfin	-	3,000	5,700	-
Additional work in respect of the pension triennial valuation	-	6,500	-	-
Other additional testing - implications of pension fund surpluses under IAS19 and IFRIC 14	-	-	5,200	-
Other additional testing – implications of infrastructure assets and changes to the Code	-	9,800	-	-
Additional fees in respect of the VFM Commentary	14,063	12,500	12,000	
Additional fees in respect of the VFM Commentary – Significant Risks	-	-	-	-
<b>Sub-total: variations</b>	<b>31,860</b>	<b>48,465</b>	<b>38,700</b>	<b>-</b>
<b>Total fees</b>	<b>128,384</b>	<b>144,989</b>	<b>147,189</b>	<b>302,972</b>

These costs are subject to PSAA review and approval. The Council received **£49,758** of grant funding to meet rising audit costs.

\*At the time of issuing this report, the additional fees have not been agreed with the Council.

\*\*The 2022/23 fee is net of a £5,641 contribution from PSAA



## Appendix A: Insights and publications

# Public and Social Sector Insights

Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles (or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>).



## Beyond efficiency: what's left for local government?

Today, the financial stability of local authorities is no longer guaranteed, placing public services and employment increasingly at risk. All of which means: it's time to take action.

Based on survey data, the 'Beyond efficiency report' looks to understand Councils' approaches to financial sustainability and risk



## Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



## A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.



## Why culture is critical to local government

The extent to which an organisation's culture supports the execution of its strategy, the management of risk and the treatment of its service users is increasingly under the spotlight, and weaknesses in culture are now frequently blamed for failings in these areas.

# National publications

Publication / Update	Key points	Link
<b>National Audit Office (NAO)</b>		
NAO report – Government Resilience: Extreme Weather 5 December 2023	The NAO has published its report Government Resilience: Extreme Weather which examines how well-prepared the country is for future extreme weather events	<a href="#">Government resilience: extreme weather - NAO report</a>
NAO Departmental overview: Department for Work and Pensions 2022-23 – 5 December 2023	The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. overview summarises information and insights gained from the NAO’s examinations of DWP and related bodies and DWP’s annual report and accounts.	<a href="#">Department for Work and Pensions 2022-23 - NAO overview</a>
NAO insight: Good practice in annual reporting – 19 February 2024	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting that includes real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.	<a href="#">Good practice in annual reporting - National Audit Office (NAO) insight</a>
Whistleblowing in the civil service - 21 February 2024	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.	<a href="#">Whistleblowing in the civil service - NAO insight</a>
NAO good practice - Digital transformation in government: a guide for senior leaders and audit and risk committees 27 February 2024	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.	<a href="#">Digital transformation in government: a guide for senior leaders and audit and risk committees - NAO insight</a>
<b>Chartered Institute of Finance and Accountancy (CIPFA) and Department for Levelling Up, Housing and Communities (DLUHC)</b>		
Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - 21 December 2023	DLUHC is consulting on the statutory guidance and final form of the Minimum Revenue Provision Regulations. The deadline for responses was 16 February.	<a href="#">Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space</a>
Consultation on the Code of Practice on Local Authority Financial Reporting in the United Kingdom short term England-only measures to aid the recovery of local authority reporting and audit – 29 February 2024	CIPFA has launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA LASAAC decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing: > An option to simplify measurement of operational property plant and equipment using specified indexation, and > Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.	<a href="#">Consultation on short term England only measures in the Code   CIPFA</a>

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

\*where permitted under applicable country laws.