



Audit Completion Report

Derbyshire County Council

Year ending 31 March 2020

CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

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19 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 issued in March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and 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 07875 974 291.

Yours faithfully

Mark Surrige
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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 2020, and forms the basis for discussion at the Audit Committee meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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. The significant audit risks we identified were:

- Management override of control
- Revenue recognition
- Valuation of Property, Plant and Equipment
- Valuation of net pensions liability

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 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)

This NAO issued their group instructions on 4 November with a request to complete this work by 4 December. It is possible our work will not be complete by 30 November as a result of the delay in the NAO issuing their group instructions, which would lead to a delay in issuing the Audit Certificate but not our auditor's report

..

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. We received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

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 2020. The matters outstanding at the time of preparing this report, including the normal review and completion processes, are summarised below. We will provide the Audit Committee with an update in relation to these and any other matters in a follow-up letter, prior to signing the auditor's report.

Audit area	Status	Description of outstanding matters
Property, plant and equipment	●	We are finalising our work in relation to the significant audit risk identified regarding valuations, including obtaining sufficient evidence that the carrying value of assets not subject to revaluation in 2019/20 remains materially correct. No material issues have been identified from the work carried out to date. We are proposing an emphasis of matter paragraph in the audit opinion in response to the disclosed material uncertainty in property valuations caused by Covid-19. We say more about this issue which affects all local authorities on page 8.
Pensions	●	No material issues have been identified from the work carried out to date. Part of our assurance over the net pensions liability is derived from specified procedures carried out alongside the Derbyshire Pension Fund audit and embodied in an assurance letter which has not yet been received. We anticipate this will include a disclosure of material valuation uncertainty on the Derbyshire Pension Fund property assets caused by Covid-19 that will be reflected in the Council's own financial statements.
Audit Quality Control Completion Procedures	●	Our audit work is undergoing the final stages of review by the Engagement Lead and other internal consultation and we are addressing any remaining review points. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.
Direct confirmation of investment balances	●	We are awaiting the direct confirmation of certain investment balances at the year-end.

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

Whole of Government Accounts

The Council submitted its Cycle 1 return on 25 September, before the deadline of 30 September. There have been changes to the timetable to the national local authority Whole of Government Accounts (WGA) process, reflecting the changes to this year's accounts publication and audit deadlines. NAO Group Instructions for local authority 2019/20 audits were only issued on 4 November with an expected completed date of 4 December. The WGA return and audit certificate is therefore unlikely to be issued at the same time as the Audit Report.

2. EXECUTIVE SUMMARY (CONTINUED)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £31,491k using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £30,656k using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee) at £920k based on 3% of overall materiality.

We also set a specific materiality on the following items of account:

- Note 34 Senior Officer Remuneration: £5k – on the basis this is a specific disclosure note that may attract public attention.
- Note 33 Members Allowances: £162k – on the basis this is a specific disclosure note that may attract public attention.
- Note 32 External Audit Costs: £14k – on the basis this is a specific disclosure note that may attract public attention.

Misstatements and internal control recommendations

Section 3 summarises any internal control recommendations we need to report to you.

Section 4 summarises the position in relation to any adjusted or unadjusted 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 in a follow-up letter.

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 11 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

Management override of controls

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.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of any identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

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	Description of the risk
Revenue Recognition	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 completeness, existence and accuracy of receivables and the cut-off of revenue.

Relevant balances:

- Note 10: Income from Fees, Charges & Other Service Income £193,052k (cut-off)
- Note 24: Short Term Debtors £76,133k (completeness, existence, accuracy)

How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of material receivables being recognised in the wrong period. We tested receivables to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.

Our audit approach also incorporated a range of other substantive procedures, including, but not limited to the testing of receipts around the year-end to provide assurance that any material items of income had been recorded in the correct financial year.

Audit Conclusion

Our audit procedures in relation to this risk have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Property, Plant and Equipment and Investment Properties	The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, and Investment Properties with the majority of these assets required to be carried at valuation. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE and with the currency of valuations.

Due to the significant judgements and number of variables involved, we have determined there is a significant risk in this area. The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.

Relevant balances:

- Note 15: Property, Plant & Equipment – Land & Buildings £1,312,762k (valuation)

How we addressed this risk

In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessed whether valuation movements are in line with market expectations by using information available from other sources;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

Audit Conclusion

Subject to our residual procedures, the work undertaken has not identified to date any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

At the outset of the Covid19 outbreak, the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date. The Council's valuers have followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed in the notes to the Statement of Accounts.

We will, in line with normal practice, include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report is included at Appendix B.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of net pensions liability	The Council's accounts contain material liabilities relating to the local government pension scheme. 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 determined there is a significant risk in this area.

Relevant balances:

- Note 49: Net Pension Liability £706,324k (valuation)

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability 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 which support the IAS 19 valuation process were operating effectively. This includes 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;
- Reviewed 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
- Agreed 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.

Audit Conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

Part of our assurance over the net pensions liability is derived from specified procedures carried alongside the Derbyshire Pension Fund audit. We will complete the remaining audit work in this area when the information required is available. Our expectation is that this assurance will report material valuation uncertainty over property assets in the pension fund portfolio caused by Covid-19. This will also need to be disclosed in the Council's financial statements and referred to within the 'emphasis of matter' paragraph in our audit report. Our draft Auditor's Report is included at Appendix B.

The draft Financial Statements were prepared on the basis of the IAS19 actuarial valuation report received in May 2020. The Council obtained an updated actuarial valuation in August 2020 to take account of the impact of the McCloud judgement. The differences between the original and latest valuation reports are not material and management do not propose to amend the draft Financial Statements. We have included this in our summary of non-material unadjusted misstatements at page 17.

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 we addressed this judgement

We addressed this judgement by:

- reviewing the Council's MRP policy to ensure that it continues to have been developed with regard to the statutory guidance;
- assessing whether the provision had been calculated and recorded in accordance with the Council's policy; and
- assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the 2019/20 financial statements in relation to the Council's MRP.

Management judgement

SinFin Waste Recycling

Description of the management judgement

The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019. Work is underway to determine the condition and capability of the currently non-operational treatment facility. The Council's management will need to make a judgement on how to account for the impact in 2019/20.

How our audit addressed this area of management judgement

We evaluated the basis of the accounting judgement and the impact on the financial statements for 2019/20 including the adequacy of the related disclosures.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances. The national timetable for the accounts completion and audit this year was changed in response to the COVID-19 pandemic. The draft Statement of Accounts, including the Council's draft financial statements, were received on 8 June 2020, well ahead of the 31 August 2020 deadline, and were of a good quality.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures made regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This is expected to extend to property assets held by the Pension Fund. This has been disclosed in the notes to the Council's Financial Statements.
- The Council's adoption of the 'going concern' principle in preparing the Financial Statements. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, meant an additional level of scrutiny was required over the going concern assertion in 2019/20 before a positive conclusion was reached.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included:
 - The proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. Management requested an updated IAS19 valuation report from the Council's actuary for this matter and the impact is not regarded by management as material.
 - The 'Goodwin' case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. The factors underpinning this case are likely to apply to the Local Government Pension Scheme and employers are being asked to determine whether there is a risk that their liabilities are materially misstated. Management has sought advice from its actuary in relation to this matter and concluded that the impact on this accounting estimate is not material and need not be included in the Council's pension liability estimates.
- Impact of changes in audit scope on the external audit fee. We have provided management with a fee estimate and final fees will be agreed with management prior to inclusion and cover the following matters identified to date:
 - As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. Alongside this, as the Council is designated as a 'Major Local Audit', we have also needed to include additional levels of supervision and review to meet regulators' expectations. We expect these factors to lead to a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of between £11,500 and £14,000.
 - Additional audit risks arising from COVID-19. We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and other areas. Our fee estimate given to management is between £6,750 and £10,000.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries. The changes to the Council's and Mazars' working arrangements' in response to COVID-19 and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required. We are grateful for the co-operation and support provided.

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 2019/20 audit.

The 2014 Act also 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. We have not received any questions or objections.

Delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO issued its Group Instructions for local authority audits on 4 November 2020 with a request for completion by 4 December 2020. We therefore expect to issue the Auditor's Report, but without the Audit Certificate, shortly after the audited Statement of Accounts has been approved by the Audit Committee. We will then issue the Audit Certificate separately as soon as we are able to do so. We will update the Audit Committee when more information is known but at this stage the draft Auditor's Report at Appendix B states that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.



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 assign 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	Number of issues
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.	0
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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	6

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Current year 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 a councillor 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.

Management response

Agreed - Related party declarations should be complete and the importance of full disclosures will be emphasised.

Person responsible - Simon Hobbs

Private Finance Initiative (PFI) records

During the course of the audit it became apparent that no original documents had been kept for Phase 1 of the PFI and no financial model was available for Phase 3 of the PFI.

Potential effects

Difficulty in substantiating the validity of PFI payments/costs

Recommendation

The Council should review the availability of supporting information in relation to the PFI

Management response

Agreed - Whilst documents could not be located during the audit in respect of Phase 1 of PFI, this may have been because the relevant officers could not access physical documents located at the Council because of restrictions due to the Covid-19 pandemic. Electronic documents were located in respect of Phase 2 and BSF. The Council will review the availability of supporting information in relation to the PFI and endeavour to locate these physical documents, as soon as restrictions are lifted and officers are able to safely access the Council's buildings.

Person responsible - To be confirmed

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Current year recommendations on internal control – Level 3 continued

Extension to a property

In our testing of property valuations, we identified that extensions to buildings were not included in the valuation assessment as at 31 March 2020. Whilst the amount involved was below triviality the Council should have processes in place to identify any extensions and account for them correctly.

Potential effects

Failure to value properties that are extended.

Recommendation

The Council should review its processes to identify any extensions and account for them correctly.

Management response

Rather than relating to extensions to buildings, the Council understands that the difference resulted from minor floor area data differences between the Computer Aided Design (CAD) plans and the Gross Internal Areas (GIAs) in the Asset Management System. There have been no physical changes. The Council (Property) has altered the data to match the CAD plans. In addition, a new Property Notification System is now in place to alert when re-measures are required.

Person responsible - Geraldine Massey

Developer access rights

Users who have the ability to transport SAP changes to live are also involved in development of changes.

Potential effects

Developers could promote changes to the live environment without oversight from senior management or approval from the Council. This could be exploited later in the live environment.

Recommendation

Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).

Management response

Agreed - There are a limited number of four users who can transport changes to the system, these are Basis staff not developers. Developer staff do not transport changes through the system. The changes they transport are fixes for issues or patches provided by SAP. Any transports implemented by Basis staff are subject to a division of duties to ensure that the change is not undertaken by a single individual. Basis transports are documented and authorised, like any other change that goes through the system. The Council agrees to document the process and undertake periodic reviews.

Person responsible - Wayne Sutton

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Current year recommendations on internal control – Level 3 continued

Response to IT incidents

IT Incidents are not always followed up and resolved in a timely manner.

Potential effects

Unresolved incidents could cause interruptions in the availability of key systems for prolonged periods.

Recommendation

The Council should ensure that IT incidents are followed up in a timely manner

Management response

Agreed - The Council is in the final stages of procurement of new IT Service Management Software. It is expected that this will be implemented in the first quarter of 2021. This software will create better visibility of all incidents and problems for key stakeholders and resolution owners, enabling them to be clearly identified and reported on. New operating procedures will also be introduced to enable key performance indicators (incident service level management and unresolved issues) to be reviewed and acted upon by the Service Desk Team. This should ensure that no incidents are left open for an unreasonable amount of time and that the assigned incident resolution team is clearly identifiable and accountable for each and every incident. The Council expects this work strand to be completed by April 2021 at the latest.

Person responsible - Rob Pearson

User access reviews

User access reviews including reviews of user access rights were not performed for SAP.

Potential effects

User access rights may not be up to date for all users.

Recommendation

Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).

Management response

Agreed - Reviews of user access are carried out approximately every four months. This includes inactive users, users that have not logged in, leavers and access to specific transactions. SAP access is assigned via position in the organisational ("org") structure. When a member of staff leaves a post or has an end date input, they immediately lose their access. The Council agrees to document the process and to ensure that when reviews are undertaken they are recorded.

Person responsible: Wayne Sutton

4. SUMMARY OF MISSTATEMENTS

No material misstatements have been identified during our audit work to date.

Unadjusted misstatements

The unadjusted misstatements identified during the course of the audit work completed so far above the trivial reporting threshold of £920k are summarised below. Any unadjusted misstatements above the trivial threshold need to be included in the Management Letter of Representation (Appendix A).

	Draft Statements April 2020 IAS19 Report £000s	August 2020 IAS19 Report £000s	Difference £000s
1 Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure (Remeasurement of the Net Defined Benefit Liability/(Asset))	294,190	301,669	7,479
Comprehensive Income and Expenditure Statement – Total Comprehensive Income and Expenditure	177,695	179,175	1,480
Balance Sheet – Net Pension Liability	651,284	643,805	7,479
Balance Sheet - Pension Reserve	(651,284)	(643,805)	7,479

The draft Financial Statements were prepared on the basis of the IAS19 actuarial valuation report received in May 2020. The Council obtained an updated actuarial valuation in August 2020 to take account of the impact of the McCloud judgement.

The table above summarises the impact of differences between the two reports on the financial statements (for ease of presentation it does not identify all areas and notes affected). Management do not propose to amend the Financial Statements for these differences on the grounds of materiality.

2. CR Revaluation Reserve
DR Property
Being the adjustment to index property values upward to the balance sheet date of 31 March 2020 (work is ongoing to validate the extent of this unadjusted item and we will provide an update once the full impact is known)

Comprehensive Income and Expenditure Statement and MIRS		Balance sheet	
Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
		11,583	(11,583)

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

During our review of the financial statements the following amendments to disclosures were identified. These disclosure issues were corrected by the Council in the final version of its financial statements for 2019/20.

- 1 The Council identified the requirement to adjust Note 15 for the split of purchased built / PFI assets in relation to Tupton Hall School Academy where the disposal was adjusted from purchased built not the PFI asset line in the PPE table as the Fixed Asset Register was incorrectly updated. The Council has corrected this matter in the final version of its financial statements for 2019/20.
- 2 The Council identified the requirement for a minor disclosure update to Note 51 in relation to the credit risks arising from financial instruments. The figures in the disclosure narrative and tables had not been updated for an adjustment to trade debtors. In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.
- 3 During our review of accounting policies it was identified that the following sentence was left in from the prior year accounts, in error "The Council has updated its accounting policies to reflect IFRS 15 and IFRS 9". In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.
- 4 During our review of accounting policies the need to include the following text was identified in respect of the valuation of Heritage Assets "Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager". Management has added this text in the final version of its financial statements for 2019/20.
- 5 We highlighted the requirement to update Note 16 to show heritage assets by separate classes this year and last, with movements, and explanation of the different classes added. In order to address this issue management has made a correction in the final version of its financial statements for 2019/20.
- 6 We highlighted the need for additional text in Note 51. Management has added text indicating "The Council's maximum exposure to credit risk is deemed to be the gross carrying amount of the financial assets held." and addressed this.
- 7 We highlighted the need for additional text and lines in in Note 22. These sentences were added: "The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2020. The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating". Extra lines were added to split out non-current investments in the 'Non-Current Financial Assets' table to separately disclose the Pooled Investment Funds (at FV hierarchy level 1) and the loan for Buxton Crescent (at FV hierarchy level 3).
- 8 We highlighted the need for a change to Note 34 to reflect the accrued holiday paid when the relevant employee left.
- 9 We highlighted a disclosure requirement in the Code for information on the timing of revaluations for material balance sheet categories which had not been complied with by the Council. The Council has updated the note and narrative to aid the reader of the accounts understanding of the Council's approach to keeping its valuations up to date. The format and content will be reviewed further for 2020/21.

During our review of the financial statements we also identified some minor amendments to disclosures. These disclosure issues have also been corrected by the Council in the final version of its financial statements for 2019/20.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

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) risk 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 2019/20 financial year, we identified one significant audit risk.

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

Risk	Work undertaken	Conclusion
<p>SinFin Waste Recycling – The long-term waste management contract between Derbyshire County Council, Derby City Council and Resource Recovery Solutions came to an end in 2019.</p> <p>The facility was due to be operational in 2017, however this did not happen as intended. Following a sustained period of the Councils asking the funding banks to step-in and get the Waste Recycling facility fully operational, the banks issued a legal notice (called a "No Liquid Market" notice) that brought the contract to an end and the councils did not dispute the notice.</p> <p>Work is underway to determine the condition and capability of the currently non-operational treatment facility.</p>	<p>We reviewed the governance and decision making in respect of this project before offering our 2019/20 VFM conclusion. In undertaking this work we considered the timeline of key decisions made by the Council and the reports issued in support of those decisions.</p>	<p>We obtained sufficient assurance to conclude that the Council has appropriate arrangements in place.</p>

Before drawing our conclusion we have:

- Reviewed the 2019/20 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2020/21:
 - Revenue and Capital budgets and Medium Term Financial Plan
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook



5. VALUE FOR MONEY CONCLUSION

- 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 general findings from our audit work in other areas

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

In April 2020 NAO issued an update to its VFM guidance to auditors which set out how local auditors should approach considering the impact of COVID-19 on their 2019/20 VFM arrangements conclusion risk assessment. The guidance states that auditors should generally consider local bodies' arrangements and their response to the pandemic as part of their 2020/21 work on VFM arrangements, and that only where there is a clear indication of a significant failure of arrangements during the 2019/20 financial year as a result of COVID-19 would it be appropriate to raise a 2019/20 significant risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified in relation to these matters.

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outturn was not significant. The Council reported a £3.9m underspend on its 2019/20 budgets which was similar to earlier forecasts. The main areas of underspend was on the Risk Management budget and this has been used to meet budget pressures in 2020/21. In early April 2020, the Council made an initial estimate of the cost pressures, including loss of income, for the period April to June 2020. The costs at that time were estimated to be in excess of £30m. In addition to the additional costs, there is also expected to be some slippage on the Council's savings programme as the Council has refocused its priorities during the response to the pandemic.

The full financial impact of COVID-19 is not yet certain and we recognise the Council is working through the implications and considerations through business planning and financial planning updates. In response to the financial pressures faced by local government, the Government has provided additional funding to support local authorities, which is welcome, however, there are concerns that it may not be sufficient. As the challenges of COVID-19 continue it is too early to understand the true extent of the financial impact, but management is carefully tracking and challenging budget variances and the demands being placed on the COVID-19 grants and is providing reports to its Corporate Management Team and Members as part of its budget monitoring process. The Council's General and Earmarked Reserves currently remain at robust, risk assessed levels.

The COVID-19 outbreak has impacted on the Council's ability to enact its original 2020/21 plans, including income generation and expenditure reductions and other developments. The Council is continuing to evaluate this impact and taking steps to update and revise its arrangements to ensure it has plans in place to secure the Council's financial resilience over the medium term.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of risk assessment and reporting in the new financial year.

Overall Conclusion

Based on the work performed to date, and subject to our completion and review procedures, there are no matters arising that would prevent us from issuing an unqualified Value for Money conclusion for the 2019/20 financial year in line with the indicative wording included at Appendix B.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mark Surridge

Mazars LLP

45 Church Street

Birmingham

B3 2RT

xx November 2020

Dear Sirs

Derbyshire County Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Derbyshire County Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements 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 financial statements 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 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.

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

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.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

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.

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 financial statements 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 financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law. I have disclosed 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 plant, property, equipment and investment property balances below their carrying value at the balance sheet date.

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 2019/20 in relation to the Council or 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 and applicable law, 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.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 - we have assessed the potential impact of the COVID-19 Virus pandemic on the Authority and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

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. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements (including those identified at the appendix to this letter – *delete if not required*) are immaterial, both individually and in aggregate, to the financial statements as a whole.

This letter was tabled and agreed at the meeting of the Audit Committee on 24 November 2020.

Yours faithfully

Director of Finance & ICT

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT

TO BE UPDATED FOLLOWING CONSULTATION

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

Opinion

We have audited the financial statements of Derbyshire County Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Derbyshire County Council as at 31st March 2020 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 2019/20.

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, 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties and the valuation of the Council's share of Derbyshire Pension Fund's property assets. As disclosed in Note 3 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

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.

APPENDIX B

DRAFT AUDITOR'S REPORT

Other information

The Director of Finance & ICT is responsible for the other information. The other information comprises the Annual Governance Statement and 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.

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

As explained more fully in the Statement of 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 2019/20, 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 2019/20 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.

APPENDIX B

DRAFT 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 April 2020, 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 2020.

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 April 2020, 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 2020.

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.

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.

APPENDIX B

DRAFT AUDITOR'S REPORT

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
45 Church Street
Birmingham
B3 2RT

Date

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

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.

CONTACT

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