



# Audit Completion Report

Derbyshire Dales District Council

Year ended 31 March 2019

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17 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 dated 8 February 2019 which was presented to the Governance and Resources Committee on 28 February 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We 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 0191 383 6300.

Yours faithfully

*Gavin Barker*

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Mazars LLP

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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 Dales District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Council meeting on 25 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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, which include:

- Management override of controls;
- Property, plant and equipment valuation;
- Defined benefit liability valuation; and
- Transfer of leisure services.

## 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, without modification, 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)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, which has a deadline of 13 September 2019. The Council is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.

### 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 have not received any questions or objections.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements


Value for Money conclusion

Appendices




# 1. EXECUTIVE SUMMARY (CONTINUED)

## 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 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Closure procedures		Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements received.

### 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

If any issues arise in relation to these outstanding matters, we will provide the Council with an update prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £751,180 using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £692,000, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Council) at £21,000, based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the 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 Council 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 9 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;
- 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	In all entities, 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.
	<b>How we addressed this risk</b> We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• Accounting estimates impacting on amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b> Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Property, Plant and Equipment Valuation	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. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.

### How we addressed this risk

We addressed this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and we engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the external valuer. We also assessed the competence, skills and experience of the valuer. We discussed methods used with the valuer and examined test valuations. We used indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We tested all revaluations in year to valuation reports and supporting calculation sheets and ensured the calculations were correct and source data agreed with floor plans.

### Audit conclusion

Our audit work has provided the assurance we sought and we have not identified any material issues to bring to your attention.

Significant risk	Description of the risk
Defined benefit liability valuation	The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

### How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.

We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and review the methodology applied in the valuation. We also considered the adequacy of the disclosures in the financial statements.

### Audit conclusion

Our work has provided the assurance sought. The changes relating to the impact of the Guaranteed Minimum Pension (GMP) and the McCloud issues on pension liabilities are national issues and the Council has agreed to adjust the accounts. This is described on page 14. Further context to the issues relating to pensions accounting that have arisen this year is detailed on page 10.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Transfer of leisure services	On 1 August 2018 the Council transferred its four leisure facilities to Freedom Leisure. The staff members previously employed by the Council transferred over to this new employer under this arrangement which is embodied in a 10 year contract. This is the key change management task the Council has been engaged in during 2018/19 and there is a risk that not all the associated requirements will have been fully addressed and appropriately reflected in the financial statements.

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### How we addressed this risk

In relation to the transfer of leisure services we:

- Considered whether appropriate methodologies had been used by the Council to ensure the relevant transactions and valuations are reflected in the Council's 2018/19 accounts;
- Tested related transactions at the Council to provide assurance over the transfer values included in the Council's 2018/19 accounts;
- Ensured that the Council had made appropriate disclosures to reflect the transfer; and
- Agreed the data relating to the leisure facilities in the IAS 19 valuation report provided by the Fund Actuary to the associated accounting entries made by the Council.

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### Audit conclusion

Our audit work has provided the assurance we sought and have not identified any material issues to bring to your attention.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

1) Debt impairment

#### Description of the management judgement

Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.

#### How our audit addressed this area of management judgement

In relation to the Council's provision for the impairment of doubtful debts we:

- reviewed the level of reported debt as at 31 March 2019 and considered the implications for any material change;
- ensured that management's methodology for calculating the provision had been consistently applied and was in line with the requirements of the Code;
- tested the collectability of both significant and a sample of other non-significant debtor balances; and
- re-performed the basis of the calculation for the impairment of debtors.

#### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

### Management judgement

2) Provision for business rate appeals against the rating list

#### Description of the management judgement

The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

#### How our audit addressed this area of management judgement

In relation to the Council's provision for business rate appeals against the rating list we:

- reviewed the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- assessed whether the provision had been calculated and recorded in accordance with the Council's accounting policy;
- assessed whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and
- assessed whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

#### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

#### 3) Minimum revenue provision (MRP)

#### Description of the management judgement

Local authorities are normally required each year to set aside some of their revenues as a 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 our audit addressed this area of management judgement

In relation to the Council's provision for minimum revenue provision (MRP) we:

- reviewed the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- assessed whether the provision had been calculated and recorded in accordance with the Council's policy;
- assessed whether the amount provided for the period was appropriate, taking into account the Council's Capital Financing Requirement; and
- confirmed that any charge had been accounted for in accordance with the Code.

#### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded that following the amendments that have been agreed they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstance. The Council's policies have been updated appropriately to reflect the changes for 2018/19 in respect of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers).

In recognition of the demands placed upon staff as a result of the earlier accounts production deadline, the Council has refined its closedown plan to enhance the project management of this complex process. This included providing working papers to aid the audit process, and officers engaging with the audit process in the period leading up to the year end in order to proactively address issues as they emerged.

Draft accounts were received from the Council on 31 May 2019 and were of a good quality. This represents a significant achievement by the finance team.

### Opening Balances

We have performed relevant audit procedures on the Council's opening balances. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the Council, but are national issues impacting on all local government bodies. There have been two issues:

- Guaranteed Minimum Pension (GMP) indexation and equalisation – this issue relates to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary; and
- The McCloud judgement – this was referenced in the Council's draft financial statements. It relates to claims of discrimination in respect of protections offered to some, but not all, pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time the Council was producing its draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain. During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes is more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations.

Neither of these issues had a significant impact on the Council in terms of a bottom-line impact on the General Fund balance, although in practice, both these issues will place upward pressure on employers pension contributions reflecting an increased pension liability to recover over the life of the scheme.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

### 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 2018/19 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.

We have not received any questions or objections.



### 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 have assigned 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	2018/19 issues identified	2017/18 issues reported
<b>1 (high)</b>	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	1
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2	1
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0	0

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other deficiencies in internal control – Level 2

##### Depreciation and asset lives – Level 2

###### Description of deficiency

In certain instances the Council has not correctly reversed depreciation where it has reassessed the life of the asset.

###### Potential effects

As a result of this depreciation charges have not always been correctly calculated.

###### Recommendation

We recommend that depreciation is removed from all assets where a change in the life of asset occurs.

###### Management response

This results from historic entries made in the asset register in 2015/16. The tested asset was fully disposed of during 2018/19 and so there is no continuing impact from these historic entries. The Council agrees the treatment for this asset was not correct and will ensure all assets that are re-lived are treated as full revaluations.

#### Revaluations and the fixed asset register – Level 2

###### Description of deficiency

In certain instances the Council has not correctly applied revaluation amounts against all individual lines of the relevant asset on the fixed asset register.

###### Potential effects

As a result of this the Council has not correctly applied all cost and depreciation amounts in the fixed asset register.

###### Recommendation

We recommend that revaluation entries are checked to ensure amounts are applied correctly across all relevant asset lines.

###### Management response

This issue results from the way revaluation information was input into the assets register. As the misstatement did not affect the NBV of the asset it was not immediately identified. Future revaluations will be independently checked to ensure the revaluation results are as expected.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points

We set out below an update on the two internal control points raised by KPMG in the prior year.

#### Controls in place in regard to the declaration of interests – Level 1

KPMG's 2017/18 testing of declaration of interests compared the declarations made by councillors to the records on Companies House and noted that 3 councillors had not declared all interests. Moreover, no declaration form had been completed by 4 councillors for the year 2017/18.

#### Potential effects

There was a potential risk that a conflict of interest was not appropriately declared.

#### 2018/19 update

Our 2018/19 testing of declaration of interests - we identified 4 instances where declarations of interests were not received by Derbyshire Dales after several reminders to the members.

#### Controls in place in regard to the valuation of properties – Level 2

KPMG's 2017/18 testing of the valuation of properties found that valuation information was being communicated verbally or through emails and there was no audit trail to support the valuations involved.

#### Potential effects

There was a potential risk that valuations may be incorrectly stated.

#### 2018/19 update

Our 2018/19 testing of the valuation of properties found that a formal valuation report was received from the in-house valuer and there was evidence to support the balances involved.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatement identified for adjustment during the course of the audit, above the level of our trivial threshold of £21,000.

There were no unadjusted misstatements that were identified during the course of our audit which management had assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The table below outlines the misstatements that have been adjusted by management during the course of the audit.

		Before (£'000)		After (£'000)	
1	Balance Sheet - Net Pension Liability	26,463		26,726	
	Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	1,286		1,546	
	Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	574		577	
	Total re-measurements recognised in Other Comprehensive Income and Expenditure	4,575		4,575	
	Updated figures as a result of a revised actuarial valuation, taking into account assumptions for GMP and the McCloud judgement. There are also additional consequential changes to the Pension Fund note, but none of these items impact the Council's General Fund.				
		Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
2		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	CR Fixed Asset Cost – Bakewell ABC				163
	DR Fixed Asset Depreciation			163	
	CR Revaluation Reserve				393
	DR CIES	393			
	CR MIRS		393		
	DR CAA			393	
	Updated entries to reflect the impact of revaluation amounts not being correctly applied to the Bakewell Agricultural Business Centre (ABC)				

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

During our review of the financial statements we identified some minor amendments to the disclosures made. These disclosure issues included the following and were corrected by the Council in the final version of its financial statements for 2018/19.

1. Cross casting of Total Expenditure on the Collection Fund and the Increase/Decrease Column (page 94)
2. Financial liabilities table did not reflect borrowing in the long term and creditors in the short term in line with previous years (page 65)
3. Financial instruments, income, expense, gains and losses table showed the interest expense for financial assets valued at amortised cost and did not include the interest payable on leases per note 11 (Page 65)
4. External audit costs, stated "KPMG LLP" and has been changed to "Mazars LLP and KPMG LLP" (Page 80)
5. Transfers to/from Earmarked reserves, the movement in 2017/18 did not agree to the prior year accounts (Page 71)
6. Cash Flow Statement, Operating Activities impairment on revaluation was incorrect (Page 79)



## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>We reviewed financial, performance and risk management reports throughout the year and attended meetings of the Governance and Resources Committee. We did not identify any concerns regarding data quality or the decision-making process.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <p>a) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes



## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services and a balanced medium term financial strategy is in place up to 2024/25 provided recurrent savings of £0.4m can be achieved in 2020/21.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>b) Managing and utilising assets effectively to support the delivery of strategic priorities; and</li> <li>c) Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>	Yes
Working with partners and other third parties	<p>The Council has consulted with local people with a view to establishing a joint venture with a private company to further its corporate aims for affordable housing, employment and regeneration. This demonstrates the Council's commitment to increase collaboration and build partnership arrangements to achieve improvements</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> <li>a) Working with third parties effectively to deliver strategic priorities;</li> <li>b) Commissioning services effectively to support the delivery of strategic priorities; and</li> <li>c) Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>	Yes



## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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 2018/19 financial year, we identified a significant risk to our VFM conclusion:

- Delivery of budgets

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

Risk	Work undertaken	Conclusion
<p><b>Delivery of budgets</b> – The continual pressures on Local Government finances are well documented and led to another challenging budget setting process for 2018/19. A total of £0.35m of leisure service savings were removed from the 2017/18 base budget to produce the 2018/19 budget. The Council approved balanced budgets for 2018/19 and 2019/20. The budgets included the required S.151 Officer assurances relating to the robustness of the budget and the adequacy of the level of reserves, but acknowledged the risks around the delivery and timing of savings initiatives and the need to address medium term budget shortfalls from 2020/21 onwards.</p> <p>The Medium Term Financial Plan indicates that a new Corporate Savings Target should be set to identify further ongoing savings (or additional income) of £0.4m by 2020/21. The 2019/20 revenue budget does however include a reserve provision to allow a strategic response to emerging budgetary shortfalls.</p> <p>There will be significant changes in Local Government finances over the next few years, which will culminate in a major change in the way Local Government is financed from 2020/21 onwards. These include the 2019 Spending Review, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50% retention). As a result, the need for savings (or income generation) will continue to have a significant impact on the Council's financial resilience.</p>	<p>We have assessed whether any matters have come to our attention through the course of our audit that lead us to conclude that a risk to our 2018/19 VFM conclusion does indeed exist. We addressed this requirement by reviewing the Council's arrangements for developing and delivering its MTFP and for working in partnership.</p>	<p>We obtained sufficient assurance to conclude that the Council continues to have appropriate arrangements in place.</p>

## 5. VALUE FOR MONEY CONCLUSION

### Matters kept under review

Before drawing our conclusion, we have:

- 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 Council's financial outturn position as presented in the financial statements.

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

### Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

From:  
Karen Henriksen  
Head of Resources  
Derbyshire Dales District Council  
Town Hall, Matlock,  
Derbyshire DE4 3NN

**The Council's management representation letter should be provided to us on client headed note paper.**

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: 25 July 2019

### **Derbyshire Dales District Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Derbyshire District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

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 myself that I can properly make each of the following representations to you.

#### **My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me 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 Chief Financial Officer 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 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 the Code and International Accounting Standard 8 and consider them appropriate for the year.

#### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

#### **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.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

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 Code.

#### 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 Chief Financial Officer 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 statement of accounts 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.

#### Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you 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 property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

#### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

#### Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

#### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to 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.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Head of Resources

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Derbyshire Dales District Council Report on the financial statements

#### Opinion

We have audited the financial statements of Derbyshire Dales District Council for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Derbyshire Dales District Council as at 31<sup>st</sup> March 2019 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 2018/19.

#### 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 as applicable to public interest entities, 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.

#### 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 Head of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Resources 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.

#### Other information

The Head of Resources is responsible for the other information. The other information comprises the 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.



# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

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 Head of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Resources 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 2018/19, and for being satisfied that they give a true and fair view. The Head of Resources is also responsible for such internal control as the Head of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Head of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Head of Resources 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 Authority's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our 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.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Conclusion on Derbyshire Dales District 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 November 2017, we are satisfied that, in all significant respects, Derbyshire Dales District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### 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 November 2017, 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 2019.

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.

#### Use of the audit report

This report is made solely to the members of Derbyshire Dales District 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.

#### Certificate

We certify that we have completed the audit of Derbyshire Dales District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker,  
Director

For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

July 2019

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# 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.

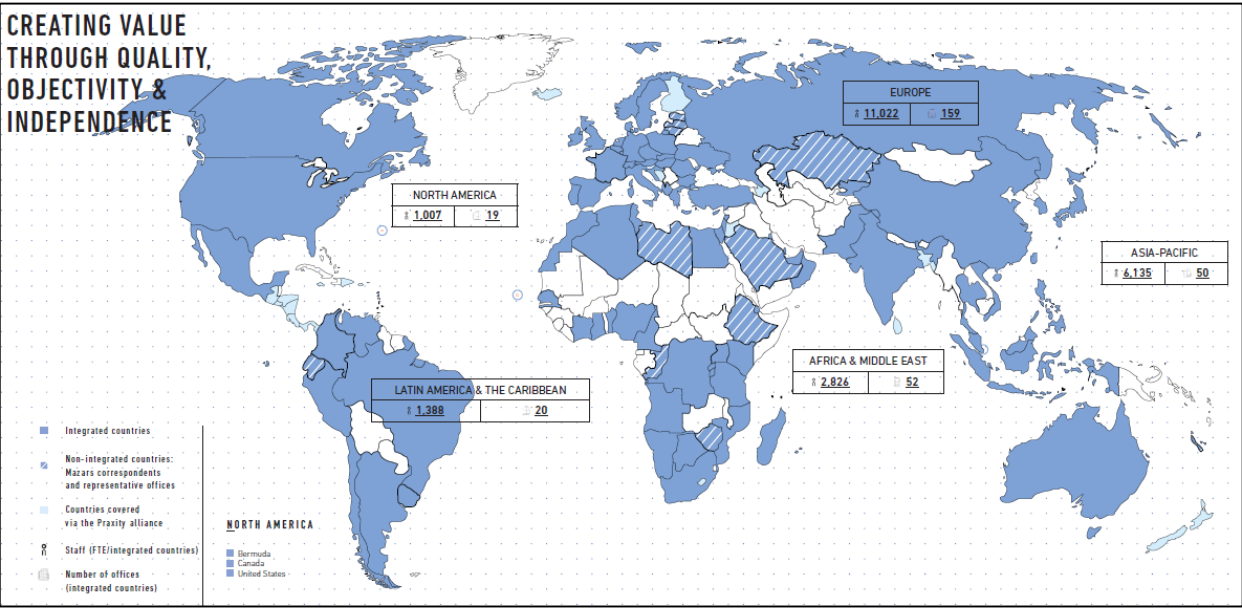


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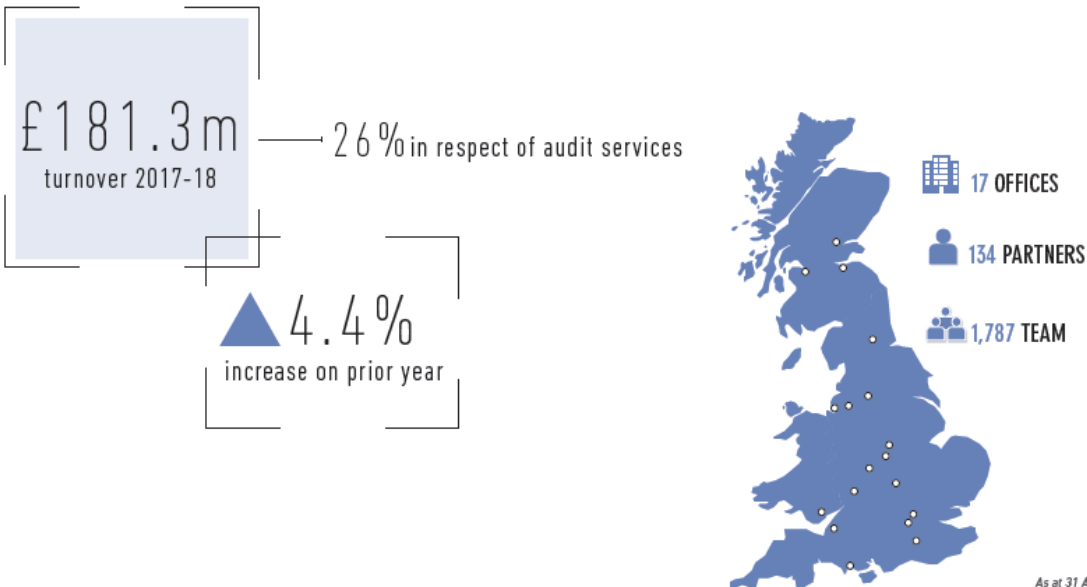
## Mazars LLP

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## Mazars Internationally



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