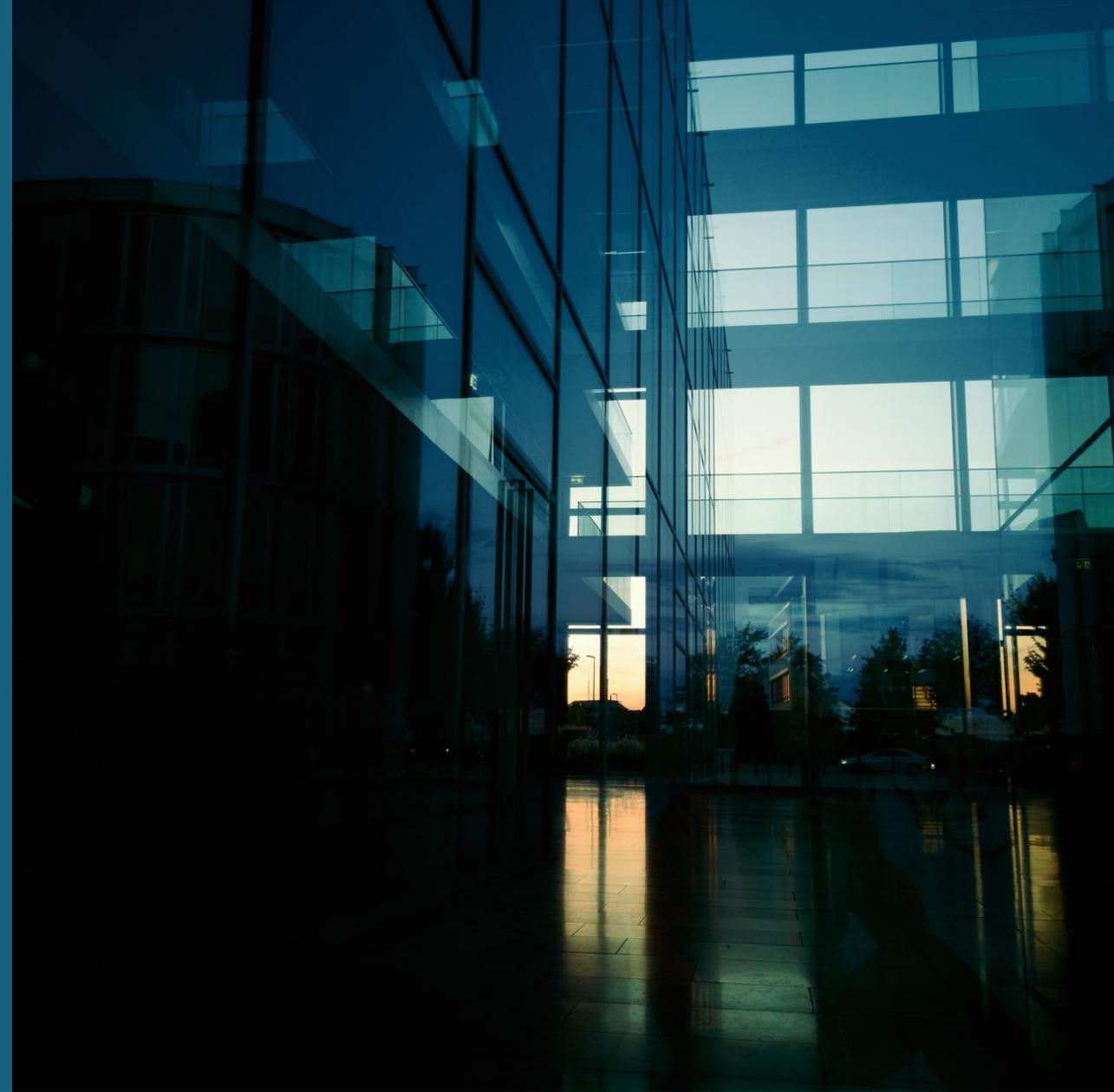


# Audit Completion Report

Derbyshire Dales District Council  
Year ended 31 March 2022

June 2023



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Governance and Resources Committee Members  
Derbyshire Dales District Council  
Town Hall  
Bank Road  
Matlock  
Derbyshire  
DE4 3NN

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne  
NE1 1DF

28 June 2023

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2022**

We are pleased to present our Audit Completion Report for the year ended 31 March 2022.

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 presented on 14 July 2022. 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 07896 684771.

Yours faithfully

*Gavin Barker*

Gavin Barker

Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF

Tel: 0191 383 6300 – [www.mazars.co.uk](http://www.mazars.co.uk)

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# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section 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; and
- Defined benefit pension liability valuation.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; there are three unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

There has been a substantial delay in completing the audit of the Council's 2021/22 financial statements. The reasons for this are explained more fully on page 13 of this report.

At the time of preparing this report, a few matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding by issuing a follow up letter prior to issuing our audit opinion.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions.



### Audit opinion

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

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have 2021/22 group instructions from the National Audit Office, but not an indication of sampled components. So when the 2021/22 opinion is given, we cannot issue the certificate as the instructions received are not yet complete in respect of our work on the Council's WGA submission.



### 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. No questions or objections have been received.

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# 02

Section 02:

**Status of the audit**

# 2. Status of the audit

Our work is nearly complete; there are currently no matters of which we are aware that would require modification of our audit opinion, subject to completion of work in the areas detailed below.

Audit area	Status	Description of the outstanding matters
Completion work		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor’s report.
WGA		We are awaiting updated group instructions from the National Audit Office indicating sampled components. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.
Defined Benefits Pension – net liability		The outcome of the triennial valuation of the Derbyshire Pension Fund as at 31 March 2022 has been published. Given that the valuation provided updated information on the position as at 31 March 2022 (for example in terms of scheme membership numbers), management obtained an updated IAS 19 valuation report and has reflected this in the financial statements. At this stage we need to fully review the amendments arising from this, review any updated actuarial assumptions and obtain assurances from the auditor of the Pension Fund relating to testing of the updated membership data submitted to the actuary for the triennial revaluation process.
Closing procedures		Review of the updated financial statements and consideration of any post balance sheet events.

-  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.



# 03

Section 03:

**Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £865k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £770k, using the same benchmark.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We have used available third-party information to challenge the key valuation assumptions. Furthermore, no changes have been made to the planned approach as outlined in the Audit Strategy Memorandum.

Items of account	Management's expert	Our expert
Property valuations	Valuer appointed by the Council	
Defined benefit pension liability	Hymans Robertson Actuary for the Derbyshire Pension Fund	NAO's Consulting Actuary (PwC)
Financial instruments	Arlingclose Treasury management advisors	

## Service organisations

At the planning stage we did not identify any service organisations which impact on the production of the financial statements. This remains the case at the completion stage.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 13 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; and
- any significant difficulties we experienced during the audit.

## Significant risks

Management	Description of the risk
<b>override of controls</b>	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 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.	



## 4. Significant findings

Valuation of property, plant and equipment	Description of the risk
	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (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.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and reviewed third party data to assess the reasonableness of the valuations provided by the valuer. We will also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and examined supporting information. We used indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We tested revaluations in year to valuation reports and supporting calculation sheets and re-performed the calculations to ensure that they were correct and source data was accurate. We also considered the valuation and presentation of infrastructure assets to gain additional assurance on their reasonableness.</p>
	<p><b>Audit conclusion</b></p> <p>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 the valuation of land, buildings and investment property assets.</p>

Valuation of Net Defined Benefit Pension Liability	Description of the risk
	<p>The 2021/22 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.</p>
	<p><b>How we addressed this risk</b></p> <p>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.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.</p> <p>We have also sought and obtained assurance from the audit of the Derbyshire Pension Fund regarding the pension estimates involved.</p>
	<p><b>Audit conclusion</b></p> <p>Subject to completing the work in relation to the changes made to the 2021/22 financial statements arising from reflecting updated IAS 19 disclosures that take into account the triennial revaluation (as described in Section 2), our work to date has provided the assurance sought, with no material matters to bring to Members' attention.</p>

## 4. Significant findings

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts and supporting working papers were received from the Council on 7 November 2022 before the start of our rescheduled audit work and were of a reasonable quality, however the Council identified that its initial upload of the draft accounts had some issues with regard to the accuracy of the comparative prior year figures. It was agreed that an updated set of draft accounts would be prepared to address this.

### Significant difficulties during the audit

As noted in the Executive Summary in Section 1 of this report, there has been a substantial delay in completing the audit of the Council's 2021/22 financial statements. The reasons for this are explained more fully below.

The timetable for the 2021/22 financial statements required draft statements to be published by the end of May 2022, with audit completion planned for the end of November 2022.

However, the Council experienced significant resourcing and capacity issues due to staff turnover, and was unable to publish its financial statements to the statutory deadline. In the event, draft 2021/22 financial statements were published on 7 November 2022 and the audit work had to be rescheduled to reflect the new timetable.

In addition, we experienced our own significant difficulties in resourcing the audit. There were a number of factors which contributed to this, including backlogs in our work, which were exacerbated by technical accounting issues impacting widely in the local authority sector, most notably in relation to accounting for infrastructure assets. This issue which had become apparent in the sector in February / March 2022 impacted all local authority and related bodies which had material infrastructure assets. As the way forward on this issue was not determined until January 2023, even where draft financial statements had been prepared to the statutory timetable and audits substantially completed by the end of November 2022, it was not possible to issue audit opinions on any sets of 2021/22 financial statements pending addressing the infrastructure issue.

As the Council has infrastructure assets itself, this was also an issue for the Council, with guidance on what to do to address this issue only becoming available in mid-January 2023, and further elements of our work were further rescheduled to consider the Council's revised infrastructure disclosures. In essence, a statutory override was put in place (effective from Christmas Day in 2022) to address the technical accounting issue that had been identified, and CIPFA issued guidance in January 2023 setting out how to apply the statutory override and other changes to be made to the disclosure of infrastructure, primarily to disclose the net position on infrastructure (and not the gross cost and gross depreciation) and to provide additional disclosures to explain to readers of the accounts the nature of the infrastructure assets reflected in the financial statements.

The Council took advantage of the statutory override and amended its financial statements to reflect the newly required disclosures.

By the time we had substantially completed our work on the audit and also in relation to the changes made in disclosures for infrastructure, another technical issue had arisen which led to a further delay. Again, this issue did not only impact only on the Council, but on all local authority and related audits, where audit opinions had still not been issued because of the additional work that had been taking place on infrastructure.

The delays in completing 2021/22 audits meant that the triennial revaluation of the pension fund was complete and there was consequently updated information available of the position as at 31 March 2022 which now needed to be reflected in the 2021/22 financial statements.

Management has subsequently obtained an updated IAS 19 valuation report from the actuary and has reflected this in the 2021/22 financial statements prepared for approval. At this stage we still need to fully review the amendments arising from this, review any updated actuarial assumptions and obtain assurances from the auditor of the Pension Fund relating to testing of the updated membership data submitted to the actuary for the triennial revaluation process. We will report the outcomes of this work in a follow up letter which we will share when we are in a position to issue our audit opinion in relation to the 2021/22 financial statements.

In summary, the delays this year have been challenging and reflect an unfortunate sequence of events, much of which was beyond management or our control.

We are pleased to report that, despite the significant difficulties experienced in the audit of the 2021/22 financial statements, in our view, we continued to have the full co-operation of management as we navigated the various challenges that were presented.

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# 4. Significant findings

## 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 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No questions or objections have been raised.



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal controls or 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 controls 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 categories in the table opposite.

Our work this year has only identified one issue to bring to your attention.

### Follow up of previous internal control points

We raised 3 internal control points in the prior year. An update on these matters is detailed on pages 18-19.

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 controls or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	1



# 5. Internal control recommendations

## Other deficiencies in internal control – Level 3

### Description of deficiency

#### Controls in place in regard to the preparation of the grants notes

We identified a number of errors in the preparation of the grants notes for 2021/22. These errors are detailed on page 21 and have been corrected by the Council. For 2020/21 we raised a related recommendation regarding the need to ensure that controls were in place in regard to the preparation of the grants notes and we are carrying forward our recommendation as this remains an area of concern.

### Potential effects

Risk of error in relation to the disclosure made.

### Recommendation

Management should review and strengthen its controls relating to the preparation of the grants notes.

### Management response

Accepted.



# 5. Internal control recommendations

## Follow-up on previous internal control points - Level 3

### Controls in place in regard to the preparation of the leases note

During our 2020/21 testing we identified that an incorrect working paper was used when creating the draft financial statements extract for leases (note 38), this resulted in incorrect figures being included in the draft accounts. This resulted in the draft accounts figure for operating leases as lessor being £626k overstated.

#### Potential effects

Risk of error in relation to the disclosure made.

#### Recommendation

Management should review and strengthen its controls relating to the preparation of the leases note.

#### 2021/22 update

The 2021/22 leases information was prepared correctly and similar issues were not encountered.

### Controls in place in regard to the preparation of the grants notes

Non Domestic Rates (NDR) was overstated in the draft accounts in Note 35. Capital grants disclosed in Note 12 were not disclosed in Note 35. Note 35 was reviewed for consistency with Note 12. Note 35 NDR has been changed in the updated accounts from £12,312k to £5,922k and Capital grants (not previously disclosed) added as £1,495k. The total credited to Tax and Non specific Grant Income in Note 35 has been amended to £11,454k..

#### Potential effects

Risk of error in relation to the disclosure made.

#### Recommendation

Management should review and strengthen its controls relating to the preparation of the grants notes.

#### 2021/22 update

We identified a number of errors in the preparation of the grants notes for 2021/22. These errors are detailed on page 21 and have been corrected by the Council. We are carrying forward our recommendation as this remains an area of concern.

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# 5. Internal control recommendations

## Follow-up on previous internal control points - Level 3

### Controls in place in regard to the preparation of the officers' remuneration note for non-senior officer employees paid over £50k

Three non-senior officer employees paid over £50k were omitted from the disclosure in Note 34.

#### Potential effects

Risk of error in relation to the disclosure made.

#### Recommendation

Management should review and strengthen its controls relating to the preparation of the officers' remuneration note.

#### 2021/22 update

The 2021/22 officers' remuneration information was prepared correctly and similar issues were not encountered.

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# 06

Section 06:

**Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £23,000. There were six adjusted misstatements in the accounts above the trivial threshold.

The adjusted misstatements in the primary statements are set out in the table below.

### Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Note 9 - Income from council tax and non-domestic rates	2,485			
	Cr: Note 9 - Government grants and contributions		2,485		
This figure was incorrectly classified in council tax and non domestic rates and needed to be transferred to government grants and contributions					
2	Dr: Short-term debtors - NNDR impairment			193	
	Cr: Note 9 Income from council tax and non-domestic rates)				193
This results from the 40% Council share of a Collection Fund income adjustment of £482k. This also impacts the income from council tax and non domestic rates (increase) in Note 9					
3	Dr: Note 19 - Council Tax Payers			105	
	Dr: Note 19 - Business Ratepayers			65	
	Cr: Note 19 - Other Entities and Individuals				170
Misclassification of debtors - no overall impact on total debtors figure					

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# 6. Summary of misstatements

## Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Note 22 - Creditors - Other Entities and Individuals			289	
	Cr: Note 19 - Debtors - Other Entities and Individuals				289
	60% preceptors share of £482k error removed from creditors and debtors				
5	Dr: Collection Fund - Allowance for impairment	482			
	Cr: Collection Fund - Allowance for impairment)		482		
	Wrong signage in collection fund for increase/decrease in provision for credit losses				



# 6. Summary of misstatements

## Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
6	Dr: Unusable Reserves (Pensions)			2,314	
	Cr: Other Long Term Liabilities (Pensions)				2,314
<p>The outcome of the triennial valuation of the Derbyshire Pension Fund as at 31 March 2022 has been published. Given that the valuation provides updated information on the position as at 31 March 2022 (for example in terms of scheme membership numbers) the Council has obtained an updated IAS 19 report from the actuary which indicates an increased long term pensions liability. The Council updated its accounts in June 2023 to reflect the increased pensions liability involved of £2,314k.</p>					
<b>Total adjusted misstatements</b>		2,967	2,967	2,966	2,966



## 6. Summary of misstatements

This section outlines the unadjusted misstatements identified during the course of the audit, above the trivial threshold for adjustment of £23,000. There were three unadjusted misstatements in the accounts above the trivial threshold.

Unadjusted misstatements		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CIES - Income - Rents from Investment Properties	31			
	Cr: General Fund		31		
	Extrapolated impact of a £1,215 non material cut off error				
2	Dr: General Fund	114			
	Cr: CIES - Expenditure - Green waste recycling		114		
	Extrapolated impact of a £809 non material cut off error				
3	Dr: CIES - Other Operating Expenditure - Gains/(Losses) on the disposal of non-current assets			56	
	Cr: General Fund				56
	2020/21 Right to Buy sales incorrectly accounted for in calculation of 2021/22 gain/loss on disposal of non-current assets				
<b>Total unadjusted misstatements</b>		<b>145</b>	<b>145</b>	<b>56</b>	<b>56</b>

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# 6. Summary of misstatements

This section outlines the disclosure amendments identified during the course of the audit. The Council has updated the accounts to address these issues.

## Disclosure amendments

During our review of the financial statements we identified a small number of casting and descriptive issues which required correction. The main issues resulting in the amendments made by the Council were as follows:

- 1. The infrastructure assets note and associated disclosures required updating to reflect guidance received well after the end of the financial year..
- 2. Minor amendments were made to the Collection Fund disclosures.
- 3. Minor amendments were made to the Capital Adjustment Account.
- 4. Minor amendments were made to the narrative for Note 14.



# 07

Section 07:

**Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We plan to issue the Auditor's Annual Report shortly after we give our 2021/22 audit opinion.

## Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2022. We have not identified any significant weaknesses in arrangements that require us to make a recommendation regarding the Council's arrangements.

Our commentary on the Council's arrangements will be provided in the Auditor's Annual Report which we plan to issue shortly after we give our 2021/22 audit opinion.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

From:

Karen Henriksen CPFA  
Director of Resources  
Derbyshire Dales District Council  
Town Hall  
Matlock  
Derbyshire  
DE4 3NN

To:

Mr Gavin Barker  
Director  
Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne  
NE1 1DF

Date: XXX

## Derbyshire Dales District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Derbyshire Dales District Council for the year ended 31 March 2022 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 2021/22 (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 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 and applicable law.

### 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;



# Appendix A: Draft management representation letter

- 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 Director of Resources 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 the 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.

### 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).

### Group Accounts

I confirm that I have reviewed the accounting transactions of the Council's partnerships and joint ventures and am satisfied that these do not need lead to the need for the Council to prepare group accounts.

### 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.



# Appendix A: Draft management representation letter

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 Director of Resources 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.



# Appendix A: Draft management representation letter

### 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.

### Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

### Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council's operations from restrictions or sanctions in place.

### Banking crisis

We confirm that we have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern, and on the post balance sheet events disclosures. In this regard we confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.



# Appendix A: Draft management representation letter

**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 on-going 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 are set out at Appendix A and are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours sincerely

Director of Resources

Date.....



# Appendix B: Draft audit report

## Independent auditor's report to the members of Derbyshire Dales District Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Derbyshire Dales District Council ("the Council") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Statement of Cash Flows, notes to the financial statements including a summary of significant accounting policies and the Collection Fund. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2022 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 2021/22.

#### 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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

#### Other information

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

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# Appendix B: Draft audit report (continued)

We have nothing to report in this regard.

## Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director 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 2021/22, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director 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 Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Governance and Resources Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Governance and Resources Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;

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# Appendix B: Draft audit report (continued)

- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Resources Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this respect.

### 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021..



# Appendix B: Draft audit report (continued)

## 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.

## 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.

## Delay in certification of completion of 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.

[Signature]

Gavin Barker  
Director

For and on behalf of Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne. NE1 1DF

Date: *to be confirmed*



# 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.



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Resources that Derbyshire Dales District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management and the Council, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>

# Gavin Barker, Director and Engagement Lead

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

## Mazars

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle Upon Tyne  
NE1 1DF

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

\*where permitted under applicable country laws.