



**OPEN REPORT  
GOVERNANCE AND RESOURCES COMMITTEE**

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**Governance & Resources Committee – 20 July 2023**

**LETTER OF REPRESENTATION 2021/22**

**Report of the Director of Resources**

**Report Author and Contact Details**

Karen Henriksen – Director of Resources  
01629 761284 or karen.henriksen@derbyshiredales.gov.uk

**Wards Affected**

District-wide

**Report Summary**

This report requests that Members consider and endorse the draft Letter of Representation as part of their responsibility for approving the financial statements for 2021/22.

**Recommendation**

That the Letter of Representation be endorsed for signature.

**List of Appendices**

Appendix 1 Letter of Representation 2021/22

**Background Papers**

None

**Consideration of report by Council or other committee**

No

**Council Approval Required**

No

**Exempt from Press or Public**

No

## **Letter of Representation 2021/22**

### **1. Background**

- 1.1 The International Standard on Auditing (U.K. & Ireland) 580 (ISA 580) requires the external auditor to obtain evidence that the Council's management acknowledges its responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and has approved the financial statements. The auditor can obtain evidence of management's acknowledgement of such responsibility by obtaining a written representation from management and a signed copy of the financial statements.
- 1.2 ISA 580 gives guidance on matters which might be included in a management "Letter of Representation".
- 1.3 In addition, ISA 580 requires the external auditor to obtain evidence that those charged with governance acknowledge their collective responsibility for the preparation of, and have approved, the financial statements. Consideration of the Letter of Representation by the Council alongside the external auditor's Audit Completion Report, prior to the approval of the Statement of Accounts, contributes to that evidence.

### **2. Key Issues**

- 2.1 The Director of Resources' Letter of Representation has been prepared in accordance with that guidance and is given in Appendix 1. The letter contains no matters of concern which need to be brought to the attention of Members.
- 2.2 There are three uncorrected misstatements that have been identified by the external auditor; these are set out in Appendix A to the letter, with an explanation of why they were not corrected.

### **3. Options Considered and Recommended Proposal**

- 3.1 To comply with the International Standard on Auditing 580, it is recommended that the Governance & Resources Committee consider and endorse the Letter of Representation for the financial year ended 31 March 2022.

### **4. Consultation**

- 4.1 In preparing the letter, the Director of Resources has consulted with the Financial Services Manager and members of the Council's Corporate Leadership Team; she has received advice from the External Auditor regarding the content of the letter.

### **5. Timetable for Implementation**

- 5.1 If the Committee endorses the Letter of Representation, the Director of Resources will sign it as soon as practicable and send it to the external auditor.

## **6. Policy Implications**

6.1 The Letter of Representation is an important aspect of the Council's corporate governance arrangements. As such, it contributes towards the achievement of all the Council's aims, priorities and targets.

## **7. Financial and Resource Implications**

7.1 There are no financial risks arising from this report.

## **8. Legal Advice and Implications**

8.1 As stated, this report requests that Members consider and endorse the draft Letter of Representation as part of their responsibility for approving the financial statements for 2021/22.

8.2 The legal risk associated with the recommendation has been assessed as low.

## **9. Equalities Implications**

9.1 There are no equalities implications arising from this report.

## **10. Climate Change Implications**

10.1 There are no climate change implications arising from this report.

## **11. Risk Management**

11.1 Should the Letter of Representation not be endorsed, signed or sent, there is a risk that the audit of the Council's accounts for 2021/22 could not be properly concluded, which would be a breach of the Accounts and Audit Regulations.

### **Report Authorisation**

Approvals obtained from:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Paul Wilson	03/07/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	05/07/2023
Monitoring Officer (or Legal Services Manager)	James McLaughlin	11/07/2023



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

Please ask for: Karen Henriksen  
Direct Dial No: 01629 761284  
Your Ref.  
My Ref. RES/KH  
E-mail: karen.henriksen@derbyshiredales.gov.uk

20 July 2023

Dear Gavin,

**Derbyshire Dales District Council - Audit for the year ended 31 March 2022**

This representation letter is provided in connection with your audit of the financial statements of Derbyshire Dales District Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

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

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

Continued.....

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.

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 the 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 financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### **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 the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

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### **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**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **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.

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### **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 I 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.

This letter was endorsed at the meeting of the Governance and Resources Committee on 20 July 2023.

Yours sincerely

Karen Henriksen CPFA  
Director of Resources



## Letter of Representation: Appendix A

### Statement of Accounts 2021/22: Unadjusted Misstatements

There are three unadjusted misstatements that have been identified by the external auditor.

These misstatements relate to entries in the Comprehensive Income and Expenditure Statement and do not affect the Balance Sheet:

- The first misstatement relates to the figure shown in the financial statements for Rents from Investment Properties. The external audit has identified a transaction for rent income that was reflected in 2021/22 but covered the period 26/03/21 to 25/06/21, meaning that rent for the 5-day period 26/03/21 to 31/03/21 should have been charged to the 2020/21 financial year. Rent for these 5 days amounts to £1,215. Officers' view is that this is not material and we have chosen not to adjust the financial statements for 2020/21 and 2021/22. The external auditor has reflected an error of £31,000, this being the extrapolated impact of a £1,215 non-material cut-off error.
- The second misstatement relates to the figure shown in the financial statements for service expenditure. The external audit has identified an invoice of £809 for green waste recycling that was charged to the 2022/23 financial year but relates to work done in 2021/22 and should have been charged to that year. Officers' view is that this is not material and we have chosen not to adjust the financial statements for 2021/22 for £809. The external auditor has reflected an error of £114,000, this being the extrapolated impact of a £809 non-material cut-off error.
- The third misstatement relates to £56,000 of income from Right to Buy disposals being incorrectly accounted for in the calculation of 2021/22 gain / loss on disposal of non-current assets. Under the terms of the housing stock transfer that took place in 2002/03, the Council is entitled to receive a share of the receipts that Platform Housing receives from the right to buy disposals of former council houses. The £56,000 error that was identified by the auditor relates to disposals that took place in the financial year 2020/21. However, the Council did not receive the income or information relating to it until after it had prepared its financial statements for 2020/21. Therefore, the income was accounted for in the financial year 2021/22, when it was received. While there is no doubt that this income should have been accounted for in 2020/21, rather than 2021/22, officers' view is that this is not material and we have chosen not to adjust the financial statements for 2020/21 and 2021/22.

These misstatements are listed in the Audit Completion Report prepared by Mazars LLP.