

# Auditor's Annual Report– FINAL DRAFT FOR COMMITTEE

Derbyshire Dales District Council – year  
ended 31 March 2023

February 2024



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

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Derbyshire Dales ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders. **This is a DRAFT report, as we have not yet issued our audit opinion. The report will be finalised when we issue our audit opinion, anticipated in February 2024.**

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on [insert date]. Our opinion on the financial statements was unqualified **[At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]**



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements and our other recommendations.



### Wider reporting responsibilities

We issued our Whole of Government Accounts (WGA) Assurance Statement to National Audit Office on **xx xxxx** 2024. The NAO has not yet given an indication of sampled components. We will not be able to issue an audit certificate formally closing the audit until NAO have provided confirmation in this respect. **[We anticipate reporting on WGA immediately after issuing our audit opinion.]**

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 did not receive any questions or objections in respect of the Council's financial statements.

# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

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

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

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on xx xxxx 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to finalisation of remaining issues.]**

Our Audit Completion Report 2022/23, presented to the Council's Governance and Resources Committee on 15 February 2024 provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and misstatements identified during the course of the audit.

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

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts and supporting working papers were received from the Council on 9 August 2023 before the start of our rescheduled audit work. The working papers provided were of a good quality and the Finance Team were very responsive to audit queries throughout the audit process.

### 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. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit work to answer our queries.

# 03

Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

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

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

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

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

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

We outline the risks that we have identified and the work we have done to address those risks on page [X].

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

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

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

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

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


- **Other recommendations**

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

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

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	Yes – Two ‘other recommendations’ made - see commentary on pages 15/16
 Improving economy, efficiency and effectiveness	18	No	No	No

### 3. Commentary on VFM arrangements

#### Financial Sustainability

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



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council is required to set a balanced budget on an annual basis and to agree a reserves strategy to manage longer-term risk. The Council has developed a Medium Term Financial Strategy (MTFS) covering a 5 year timeframe for 2022/23 to 2026/27. The Medium Term Financial Strategy (MTFS) is reviewed and updated annually. The Council also has a Medium Term Financial Plan (MTFP), which is updated on a rolling basis and presented to Members for approval in March, July and November/December each year. The authority uses scenario testing against its MTFP. The current MTFP was approved by the Council in December 2023. The plan recognises the risks and uncertainties facing the Council in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services in particular. The MTFS is supported by corporate mechanisms for consultation e.g. community forums; customer satisfaction surveys; and consultation on the draft budget.

Our review of the MTFP noted that there are uncertainties over the implementation of the Government spending review and the residual disruption caused by Covid-19. However, as the MTFP is updated on a rolling basis the plan can be updated as the position becomes clearer.

Budgets are assigned to operational managers who monitor budgets on a regular basis as evidenced by our review of budget reports. Each service is assigned a finance lead to help identify pressures and determine the financial impact.

During 2022/23 the Council faced a number of challenges in successfully managing its financial position, delivering new and existing services whilst also planning for the future. The Council set a balanced budget in March 2023 which accounted for the known and expected issues as fully as possible at that stage. The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax and use of reserves, there was a balanced budget for 2022/23 and 2023/24, with savings of £0.4m being required to balance the budget for 2024/25. Further savings of £1.5m are required for 2025/26. However, the Medium Term Financial Plan shows that further grant losses are expected from 2026/27 onwards and that, as a result, there is a need to identify additional savings or income of over £3.4m a year from then onward.

The Council's usable reserves have increased by £0.9m to £25.5m at 31 March 2023. There is a strong focus on financial resilience within the MTFS and ensuring the Council has appropriate reserves for the future.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council plans to bridge funding gaps and identifies achievable savings

The 5 year MTFS approved in March 2021 identified emerging longer-term pressures. The MTFS was balanced to the end of 2023/24 with efficiency savings of £0.4m required in 2024/25 and savings or income of over £3.4m a year from 2026/27 onward.

The Council has a good track record of identifying and delivering savings and has made savings of over £2.7 m since 1st April 2014. Total savings required in 2023/24 and 2024/25 are £nil and £0.4m respectively which are not significant in relation to the overall budget of the Council. While there is uncertainty over the Council's future funding position, the Council has proposed that (while the Council will continue to look for efficiency savings) there will be a cautious approach to any significant service reductions until the full outcome of the funding / business rates reviews is known. The Council considers that it has sufficient reserves and balances that would be available to address any immediate funding reduction, giving a period of time to consider the required action in the event of significant funding cuts.

The MTFS does not rely on any contributions from reserves apart from those reserves which are earmarked for specific purposes.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

A corporate plan has been developed for 2022 to 2024. There are 3 broad priority areas:

- People - providing a high quality customer experience;
- Place - keeping the Derbyshire Dales Clean, Green and Safe; and
- Prosperity - supporting better homes and jobs.

The MTFS recognises the ongoing pressure the Council faces and the potential impact on service delivery. An in-year monitoring report to the Council details the pressures faced, whether savings are being achieved, and if resources need to be redirected to areas of need. Our review of the MTFS did not identify a reliance on 'one off' measures to balance the budget.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the Council ensures that its financial plan is consistent with other plans

Cost of pay awards are estimated and revised as part of budget setting. Salary budgets are linked to structure establishments and new recruitments have to be approved to ensure that there is sufficient base budget in place to fund the post. The Council liaises with the Pension Fund on a triennial basis to review the employers contribution rates.

The Treasury Management Strategy and Capital Strategy are updated on a regular basis and set out how the Council manages risks and benefits associated with cash-flow, treasury management and borrowing. The strategy sets out how the Council can fund a multi-year capital programme in a financially sustainable way using a series of prudential indicators to monitor the position. This is supported by 'Business Case' documentation to ensure capital projects go through a robust business case documentation process and the revenue implications of capital investment decisions are fully considered and form part of the MTFS planning and budget setting process. These plans and strategies are considered and approved by the Council alongside MTFS and budget decisions each year.

Other operational planning and its impact on the MTFS is also considered, together with the opportunities for working with other local authorities. Risk management is also considered in terms of financial plans and the strategic risk-register is regularly updated and reported to the Governance and Resources Committee in an annual report.

The Governance and Resources Committee and Council consider the financial position halfway through the year and this allows for Member scrutiny and challenge. The latest MTFP was considered by the Council at their December 2023 meeting.

Savings plans are risk assessed to advise Members of the potential impact with proposals being risk assessed for impact on communities and service delivery. We have considered the savings initiatives undertaken in recent years with no weaknesses identified.

The annual budget setting process/report includes reviewing the Council's earmarked reserves. We confirmed a review was completed in 2022/23 to ensure funding set aside remains in line with strategic and statutory priorities of the Council. This is evidenced in the reports presented to the Governance and Resources Committee and Council during the financial year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council identifies and manages risks to financial resilience

The MTFS recognises the risks and uncertainties facing the Council in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFS shows that there is no evidence that assumptions are unrealistic or that there is unplanned or heavy reliance of reserves to cover unplanned spend. The Council models its income and expenditure over the MTFS and builds in known pressures.

A key focus of this medium-term financial strategy is to promote financial resilience and sustainability. The proposed revenue budget is balanced across the term of the financial plan with no reliance on reserves or one-off income to fund permanent spend commitments and the MTFS looks to protect and replenish the Council's reserve levels where possible. Our review of the MTFS has not identified any significant weaknesses in arrangements.

The Council has a good record of delivering planned savings, and the adoption of prudent MTFS planning assumptions, provide comfort that the Council has a sustainable financial position for the immediate future. Our review of savings plans and assumptions within the MTFS has not identified any significant weaknesses in arrangements.

The replenishment of reserves remains a focus of the MTFS with financial resilience a key factor.

The Council has an established risk management framework and the Governance and Resources Committee receives regular risk management updates. We reviewed the reports presented to the Governance and Resources Committee and Council during 2022/23 which reported the forecast outturn position. These reports contain evidence of a clear summary of the Council's performance, detailing significant variances and providing adequate explanation of the causes. Our review did not indicate a weakness in the Council's risk management and budget monitoring and reporting arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### 3. Commentary on VFM arrangements

#### Governance

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



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's Head of Internal Audit is engaged from an internal audit consortium that specialises in local government provision. The Council directly employs a Senior Internal Auditor and an Internal Auditor. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council's Governance and Resources Committee. As detailed in the plan, the Council uses a risk-based approach to determine the priorities of the internal audit activity, consistent with the Council's objectives. However, both members of the internal audit team left the Council's employment in July and August 2022 and the team was not fully staffed until July 2023. While the Head of the Internal Audit Consortium continued to give advice to officers and members, the vacant posts have meant that only 3 audit reviews were completed in 2022/23 and this led to a limitation of scope for the internal audit annual report for 2022/23. This in turn fed into the Annual Governance Statement for 2022/23. Having considered such matters we consider this matter is not a significant weakness although we are raising an 'other recommendation' in this report regarding arrangements being in place to ensure adequate internal audit resources are secured for the future to avoid a limitation of scope in future year's internal audit annual reports.

**The Council should ensure arrangements are in place to ensure adequate internal audit resources are secured for the future to avoid a limitation of scope in future year's internal audit annual reports.**

We confirmed that the Governance and Resources Committee received regular updates on the Audit Plan. Internal Audit reviews highlight weaknesses and recommend actions when required to strengthen processes or procedures. These are reported to the Governance and Resources Committee which holds management to account where weaknesses are identified. The Governance and Resources Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Governance and Resources Committee challenges management if recommendations are not implemented within the agreed timeframe.

Based on our discussions with the Head of Internal Audit, our review of the audit plan, audit reports and our attendance at the Governance and Resources Committee where they were discussed we have not identified any significant weaknesses in the ongoing arrangements.

The Council has a Risk Management Policy and Strategy that is periodically reviewed, amended and approved by the Governance and Resources Committee. The departmental risk registers covering operational risks are reviewed, updated and challenged regularly and presented to the Corporate Leadership Team and reported to the Governance and Resources Committee as confirmed from our attendance at meetings and review of agendas and papers.

The Council has implemented a Code of Governance and has published this alongside the Council's Annual

Governance Statement. As part of our audit procedures, we considered the Council's Annual Governance Statement. This included consideration of the Statement and our cumulative audit knowledge. We identified no matters indicating a significant weakness in arrangements.

Procurement and financial-decision-making are subject to suitable levels of segregation of duty to ensure approvals and oversight of financial activity is maintained. As evidenced through the contract procedure rules, financial regulations and scheme of delegation as set out in the Constitution.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council approaches and carries out its annual budget setting process

The MTFS recognises the risks and uncertainties facing the Council in terms of future cost pressures, funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services in particular. The MTFS is supported by consultation with local authority partners and stakeholders. We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall, the Council is aware of the financial pressures it faces.

### How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

In-year budget monitoring reports were not routinely received at Member and Council Leadership Team (CLT) meetings during 2022/23. During 2023/24 improvements have been made to revenue budget monitoring reports and there has been a move to business partnering arrangements between nominated members of the finance team and specific budget holders. The Council intends that this leads to better collaboration and improvements in financial management. New style revenue budget monitoring reports were introduced from September 2023; these include specific reports for directors to give a better oversight of emerging pressures (and where may be reduced spend or increased income). With regard to CLT reporting we are aware that the new Monitoring Officer has been tasked with improving reporting to the CLT and intends introducing regular performance reports which include details regarding the in-year financial position. It is also worth noting that the Council has a good track record of delivering its target outturn through the work of its budget holders. In considering whether this issue is a significant weakness we have taken into account:

### 3. VFM arrangements – Governance

#### Overall commentary on the Governance reporting criteria - continued

- the in-year financial reporting that has been in place to provide assurance to the s151 officer that spending is in line with budget/expectations and that no risks exist in the year that required mitigating action/decisions to be taken;
- the Council's track record in delivering its financial position, and its medium term financial plan;
- the outturn position in 2022/23 which generated an additional c£2m of usable reserves to support the future financial position; and
- the improvements put in place during 2023/24 which include recommencing financial reporting to decision makers.

Having considered such matters we consider this matter is not a significant weakness although we are raising an 'other recommendation' in this report regarding the requirement for in-year budget monitoring reports to be routinely received at Member and CLT meetings.

**The Council should ensure that in-year budget monitoring reports are routinely received at Member and CLT meetings.**

The Council has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control. The Chief Finance Officer is a member of the Corporate Leadership Team and attends key Committee meetings. There is a delegated framework of financial accountability, including identified senior managers to be responsible for financial performance in each service area and a financial reporting timetable for monitoring. The MTFS sets out the Council's approach to meeting corporate savings targets and helps to ensure the Council identifies and implements efficiency and savings opportunities.

Budget Managers are provided with relevant training to undertake their role as budget managers and are provided with budget monitoring information on a regular basis. Each department has a nominated business partner from the finance team to provide advice and support on business decisions. Finance staff also take budget monitoring information into service team meetings for review.

The financial statements timetable is prepared each year to guide the work undertaken. We did not identify any

matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. In this regard it is worth highlighting that in our experience management takes action to address audit matters in a timely and appropriate manner.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

#### **How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.**

Decisions are made in accordance with the Constitution and Scheme of Delegation. Financial procedure rules set the parameters for decision-making on capital investments. Proposals are considered by the Corporate Leadership Team (CLT). The Council uses a business case methodology. Business cases template include details of the project manager, project objectives, scope, outputs, benefits, timescale, resources required (financial & personnel), governance arrangements, prioritisation score (against corporate plan priorities), assessment of data protection & ICT issues, risk assessment & CLT decision. Once approved by CLT this business case forms the basis of a report to the relevant committee or Council.

The Council applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Financial regulations state that "No expenditure introducing major continuing liabilities to the Council, particularly new projects which involve financial commitments in future years, new policy or extension of services, may be incurred without prior consultation with the Director of Resources and the approval of Council either through the budget or separately in the course of the financial year."

Most day-to-day decisions are made by policy committees. Approval of the revenue budget and capital programme is reserved to full Council. In addition, senior officers of the Council make decisions under delegated authority. The Council's constitution outlines how the Council operates and makes decisions. All reports for policy committees and full Council include legal and financial risk assessments. Reports are challenged by the Corporate Leadership Team and at the Chair's Briefings, prior to inclusion on meeting agendas. Equality Impact assessments are required to ensure that the Council does not discriminate against certain groups or individuals, especially those who are disadvantaged or vulnerable.

The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

At Governance and Resources Committee, elected members review progress against objectives and through the monitoring of financial and performance information. The Committee manages its work to enable members to look in more detail at individual topics, making recommendations to the Council as appropriate. The Governance and Resources Committee is tasked with ensuring, amongst other things, good stewardship of the Council's resources and promoting proper internal control by reviewing the Council's control systems and monitoring its compliance with legislation, relevant standards, codes of practice and policies.

The Council publishes the outcomes from external reviews and monitors the implementation of any recommended actions through its performance management framework.

The Council implemented measures to ensure that services could continue despite the residual restrictions arising as a result of the COVID-19 pandemic. The arrangements included live streaming to allow the public to observe Council meetings.

We have reviewed Council minutes in the year and have not identified any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

We have not identified any matters from our review to suggest a significant weakness in the committee structure of the Council. It is designed to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution is reviewed at least annually and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

There are established codes of conduct for members and officers and a register of gifts and hospitality which is available on the Council's website and supported by relevant training. Related parties are recorded on an annual basis and disclosed in the statement of accounts as well as senior officer remunerations. We considered

these disclosures and compared them with the interests declared. Our work did not indicate a significant weakness in arrangements.

The Annual Governance Statement (AGS) is published and reviews the effectiveness of the Council's Governance Framework. Our review of the AGS did not identify any significant weaknesses in arrangements. As noted earlier, a system of scrutiny and oversight is in place and documented in the Annual Governance Statement.

The Council appoint an independent person to support the complaints process in accordance with the requirements of the Localism Act 2011 and publish an Annual Complaints Report which considers the outcome of the complaints raised during the year. The Council also publishes an annual letter from the Local Government Ombudsman.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2022/23 financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a weakness in arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

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



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

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

### How financial and performance information has been used to assess performance to identify areas for improvement

The Council has well established and effective processes for reviewing financial and performance information and using this to inform areas for improvement. Key performance indicators (KPIs) are monitored. Corporate targets and KPIs are regularly reviewed and reported to Members, with action being taken to address areas of poor performance to inform service and improvement planning. Performance information is considered by the Governance and Resources Committee and used to inform budget setting and monitoring.

Areas of adverse performance feed into the Council's strategic risk register where relevant. Our review of the risk register and attendance at Governance and Resources Committee confirms that it covers relevant areas.

The Corporate Leadership Team receive comprehensive financial information to inform the budget setting process. Key members of the Corporate Leadership Team are involved in decision-making around service investment and making savings. Financial reports provide an assessment of the financial outturn position for the year in relation to approved budgets for Revenue, Capital and usable reserves, Collection Fund and Treasury Management issues and also progress against other plans.

The Council has undertaken a review against the CIPFA Financial Management Code, to assess the arrangements it has in place. The Council also undertakes benchmarking exercises to assess areas such as council tax levels. Corporate performance against key performance indicators is also reported. Our work on those reports identified no evidence of a significant weakness in arrangements.

The Council's financial performance is reported on a regular basis together with details of the financial position along with rationale for any changes and factors to be taken into account. Reports include HR implications and impact assessments as appropriate.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Council evaluates the services it provides to assess performance and identify areas for improvement

The Governance and Resources Committee receives performance updates and feedback from reviews.

The Director of Resources includes a statement on the adequacy of reserves and financial resilience in the annual budget report and Medium Term Financial Strategy, reflecting the CIPFA Financial Resilience Index as well as bespoke benchmarking reports from a consultant to compare reserve levels with other councils. Other areas of benchmarking are undertaken. Our review has not identified any significant weaknesses in arrangements.

Performance monitoring takes place across all services and this is supplemented with surveys across the Council's stakeholders to help improve performance. The Council monitors performance during the year against its Corporate Plan including the monitoring of non-financial key performance information.

Assessment by regulators was limited in the 2022/23 year, but the Council has arrangements in place for responding to any recommendations made as a result of external reviews.

Based on our review of a sample of reports and our understanding of the reporting framework, there is sufficient monitoring, reporting and overall scrutiny of both the performance and the financial position of the Council.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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

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

**How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve**

The Council works with local communities, volunteers, voluntary and community organisations. Some examples include:

- Working in Partnership with volunteers from EMH Care & Support who provide day opportunities for people with learning disabilities and autism;
- The Peak District Partnership (formerly the Local Strategic Partnership) bringing together public, private and voluntary sector organisations working in the Derbyshire Dales and High Peak to deliver a shared vision for the Peak District;
- Budget Consultation and meetings held with different groups to understand stakeholder priorities and ensure priorities and areas for improvement are informed;
- Vision Derbyshire which is a partnership of local authorities across Derbyshire, including Derbyshire Dales District Council, which have joined forces to encourage more people living locally to set up their own companies; and
- The Derbyshire Economic Partnership, which comprises the County Council and eight partner district councils looking to take joint initiatives to improve services and amenities.

The Council uses various channels of communication and feedback mechanisms, including social media to reach out to and meet the needs of its communities. During the pandemic, meetings have been streamed live and recordings of meetings are available on the Council website.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

**How the Council commissions or procures services, how the Council ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the Council assesses whether it is realising the expected benefits**

Key commissioning and procurement decisions are taken by suitably skilled and trained staff to ensure compliance with legislation, professional standards and internal policies. A local authority procurement team provides advice on all relevant procurement decisions.

The Council has outsourced key functions to provide resilience and cost efficiencies. For example, revenues and benefits and internal audit and counter-fraud services.

During the COVID-19 pandemic councils were required to assess and grant supplier relief in accordance with PPN 02/20. In response the Council set up a robust process to assess claims for relief. Regular updates were provided to Corporate Leadership Team.

There is evidence that the Council has arrangements in place to ensure procurement is in accordance with relevant legislation, professional standards and internal policies.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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 did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

We issued our Whole of Government Accounts (WGA) Assurance Statement to National Audit Office on xx xxxx 2024. The NAO has not yet given an indication of sampled components. We will not be able to issue an audit certificate formally closing the audit until NAO have provided confirmation in this respect. [We anticipate reporting on WGA immediately after issuing our audit opinion.]

## 4. Other reporting responsibilities and our fees

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

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance and Resources Committee in September 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees
PSAA Scale Fee in respect of our work under the Code of Audit Practice	£29,487	£37,239
Recurring increases in the base audit fee arising from regulatory pressures (as reported in the 2019/20 audit)	£7,388 <sup>1</sup>	Included in scale fee
Additional fees in respect of the new VFM approach (recurring)	£6,000	£10,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£2,500	£2,500
Additional fees in respect of new ISA315 requirements in relation to misstatement risk factors (recurring)	-	£5,000
Additional one-off fees for specific 2021/22 issue (work on infrastructure assets)	£5,000	-
Additional one-off fees for specific 2021/22 issue (work on update for triennial pensions)	£2,500	-
<b>Total fees</b>	<b>£52,875</b>	<b>£54,739</b>

Note 1 – we should have increased the 2019/20 recurring fee by 25% to reflect increased rates set by PSAA from 2020/21; we did not do this in 2020/21 in error, but we applied this increase in 2021/22.

All fees are subject to VAT. All additional fees are subject to Public Sector Auditor Appointments (PSAA) approval.

# 4. Other reporting responsibilities and our fees

## Fees for other work

Area of other work	2021/22 fees	2022/23 fees
Planned fee for assurance services - Housing Benefits Return (subject to additional fees if appropriate)	£7,851	£8,086
Planned fees for other work	£7,851	£8,086





# Appendix

# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings. In addition we reported on immaterial unadjusted misstatement, and three internal control recommendations which were accepted by management.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>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.</p>	<p>We addressed this risk through performing audit work over:</p> <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> <p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.</p>

# A. Further information on our audit of the financial statements

## Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p data-bbox="66 328 611 357">Net defined benefit pension asset/liability valuation</p> <p data-bbox="66 385 1223 742">The defined benefit asset relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary for the scheme to provide an annual valuation of this asset in line with the requirements of IAS 19 Employee Benefits. There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension asset/ liability in 2022/23. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area. The Council is reporting a net Pension Asset in 2022/23. The pension asset is a complex calculation which incorporates a number of accounting standards including IAS19 and IFRIC14, and includes a requirement to calculate a pension asset ceiling. This is the first time the Council has accounted for a pension asset.</p>	<p data-bbox="1223 328 1528 357">We addressed the risk by:</p> <ul data-bbox="1223 371 2402 1028" style="list-style-type: none"> <li data-bbox="1223 371 2402 428">• critically assessing the competency, objectivity and independence of the Actuary for the Pension Scheme;</li> <li data-bbox="1223 442 2402 585">• liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of controls in place at the Derbyshire Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate. The assurance incorporated the information submitted by the Pension Fund for the triennial valuation at 31 March 2022;</li> <li data-bbox="1223 599 2402 685">• evaluating and challenging the work performed by the Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets;</li> <li data-bbox="1223 699 2402 756">• reviewing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information;</li> <li data-bbox="1223 771 2402 885">• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office;</li> <li data-bbox="1223 899 2402 956">• reviewing the actuaries approach to, and calculation of, the pension asset ceiling, and considering the application of the asset ceiling to the recognised pension asset ; and</li> <li data-bbox="1223 971 2402 1028">• agreeing the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul> <p data-bbox="1223 1042 2402 1249">Subject to receiving assurance from the auditors of the Derbyshire Pension Fund regarding the pension estimates involved, our work to date has provided the assurance sought, with only one issue to bring to Members' attention. The initial calculations performed by the actuary showed a net pension surplus of £3,370k, as the fair value of assets was greater than the fair value of obligations. However, there are circumstances under which a pension surplus should not be recognised in full in the statement of accounts, and the actuary had not considered this asset cap in their report. The corrected calculations resulted in a total additional liability of £3,824k, and a final net liability of £454k.</p>

## A. Further information on our audit of the financial statements

### Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Valuation of land and buildings and investment properties</p> <p>Property related assets are a significant balance on the Council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>critically assessing the scope of work, qualifications, objectivity and independence of the Council's valuers to carry out the required programme of revaluations;</li> <li>considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies;</li> <li>assessing whether valuation movements are in line with market expectations by considering valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers;</li> <li>sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations; and</li> <li>using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023.</li> </ul> <p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters in relation to the valuation of land, buildings and investment property assets.</p>

## Alastair Newall - Director

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