

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

7 February 2017

Report of the Director of Finance

ANNUAL AUDIT LETTER 2015-16

1 Purpose of the Report

To provide Members with details of the external auditors' Annual Audit Letter for 2015-16.

2 Information and Analysis

The Council's external auditors, KPMG, are required to present an Annual Audit Letter to Members and officers of the Council. The letter describes the scope of the audit work for the financial year and reports on matters of significance arising from that work. It is a summary of their conclusions and provides an external assessment of the Council's overall financial position.

The letter is a means by which KPMG, as appointed auditors, fulfils its statutory requirements, which are derived from the Audit Commission Act 1998 and the Audit Commission's Code of Audit Practice. KPMG are required to provide an opinion on the Council's financial statements and a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The issuing of the letter marks the end of the audit process for 2015-16. The Council published on its website that the audit has been concluded in accordance with the Accounts and Audit Regulations 2015.

A copy of the letter is shown at Appendix One. The details contained within the letter represent a positive outcome for the Council and have been reported to the Committee previously.

3 Considerations

In preparing this report the relevance of the following factors has been considered:- financial, human resources, Legal and Human Rights, equality of opportunity, health, environmental, transport, social value, property and crime and disorder considerations.

4 Background Papers

Papers held in Room 137, Technical Section, Corporate Finance.

5 Officer's Recommendation

That Audit Committee notes the details of the Annual Audit Letter 2015-16.

PETER HANDFORD

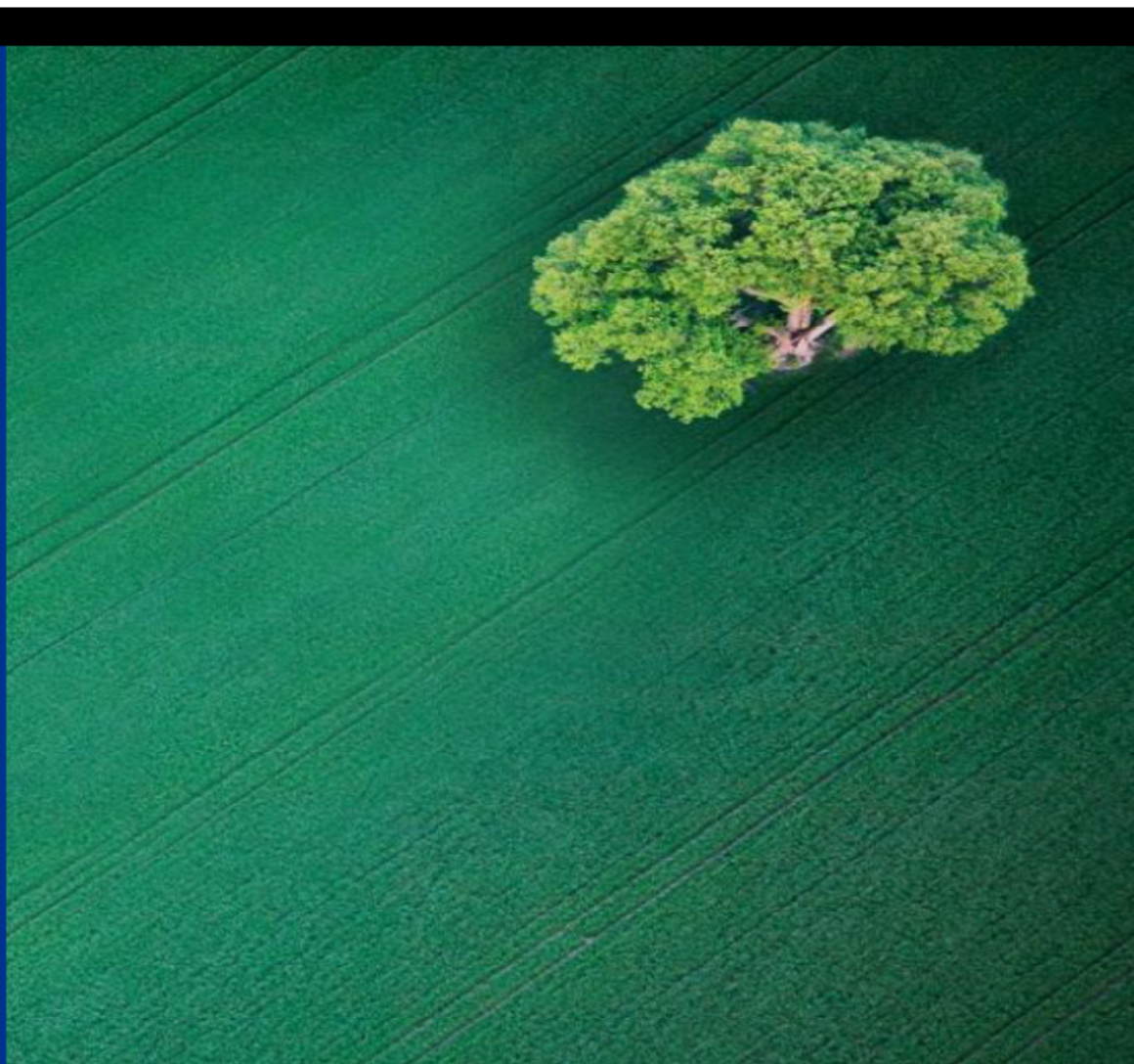
Director of Finance



Annual Audit Letter 2015/16

Derbyshire County Council

October 2016



Contents

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Page

Report sections

— Headlines

3

Appendices

1. Key issues and recommendations

5

2. Summary of reports issued

7

3. Audit fees

8

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



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2

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Contents

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— Headlines

3

Appendices

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3

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Section One

Headlines

This Annual Audit Letter summarises the outcome from our audit work at Derbyshire County Council in relation to their 2016/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 21 July 2016. This means we are satisfied that during the year, the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work identified the following significant matters:</p> <ul style="list-style-type: none"> — Delivery of savings – The Authority's budgets over recent years have delivered significant planned savings, but further strong financial challenges lie ahead. The Authority forecasts predict that over the forthcoming years, additional savings will need to be found as the Authority faces further expenditure pressures and a continued reduction in resources. The Authority identified saving proposals for 2015/16, but may require further savings in 2016/17 and future years to meet the potential impact of reduced resources on the financial standing of the Authority. — Better Care Fund – the Authority has worked with Clinical Commissioning Groups to pool funds to implement the local Better Care Fund. Good progress has been achieved in implementing the health and social care initiatives involved.
Audit opinion	We issued an unqualified opinion on the Authority's financial statements on 21 July 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.
Financial statements audit	<p>The Authority brought forward the production of its annual accounts and broadly complied with the new statutory timetable that comes into effect from the 2017/18 accounts. The Statement of Accounts 2015/16 for the Authority and the pension fund was prepared appropriately with no detrimental impact arising from the earlier closedown achieved. The Statement of Accounts 2015/16 were supported by high quality working papers.</p> <p>There were no uncorrected audit adjustments at the end of the audit process.</p> <p>We also brought forward our work and delivered our audit opinion on 21 July 2016 in line with the new statutory timetable two years ahead of schedule.</p> <p>One challenge facing the Authority in maintaining this excellent performance in 2016/17 will be putting in place appropriate arrangements for accounting for infrastructure assets. Whilst the Authority is currently well placed to meet this challenge the work required should not be underestimated.</p>



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4

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Section one

Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Derbyshire County Council in relation to their 2016/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Annual Governance Statement	We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding of the risks facing the Authority and your risk management and governance arrangements.
Pension fund audit	There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
Recommendations	<p>The main recommendation that we raised as a result of our 2015/16 audit work relates to the Authority's arrangements for the identification of related party disclosures. This is detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up this recommendation as part of our 2016/17 work.</p> <p>We also note the progress the Council has made in regard to our recommendation raised in the previous year.</p>
Certificate	We issued our certificate on 19 October 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for the audit of the Authority's accounts was £125,356 (£167,141 in 2014/2015) for the Authority and £28,672 (£28,672 in 2014/15) for the Pension Fund. This fee is in line with that highlighted within our audit plan agreed by the Audit Committee in February 2016. Further detail regarding fees is contained in Appendix 3.



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5

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Appendices

Appendix 1: Key issues and recommendations

We have given this recommendation a risk rating and agreed what action management will need to take.

We will formally follow up this recommendation next year.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Related party disclosures</p> <p>At the present time the Authority does not document a review of the matters detailed in the declarations made by individual members/officers to evidence if corresponding related party disclosures need to be made in the accounts. This will help to avoid any oversights.</p> <p>Recommendation</p> <p>It is recommended that a written exercise is undertaken to review the matters detailed in the declarations made by individual members/officers to evidence if corresponding related party disclosures need to be made in the accounts.</p>	<p>Response</p> <p>We will put in place a more in depth review of the RPT note in 2016/17.</p> <p>Responsible Officer</p> <p>Paul Stone</p> <p>Due Date</p> <p>March 2017</p>



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6

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Appendices

Appendix 1: Key issues and recommendations (cont.)

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address two of the three recommendations with embedding the Pension Fund Administration system introduced in 2014/15 being the only one outstanding.

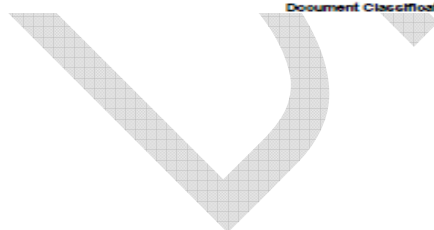
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Pension Fund change of system</p> <p>The only outstanding issue from 2014/15 relates to all records on the new Pension Fund administration system being fully updated to be complete and accurate.</p> <p>Whilst good progress has been made further action is required to fully address the issues involved to ensure all relevant information is held on the new system. Our testing did not find evidence of incorrect pensions being paid.</p> <p>Recommendation</p> <p>The Authority should continue to implement its plan to ensure the new Pension Fund administration system is producing accurate data.</p>	<p>Response</p> <p>The Council agree that further work is needed.</p> <p>Responsible Officer</p> <p>Richard Appleby</p> <p>Due Date</p> <p>March 2017</p>



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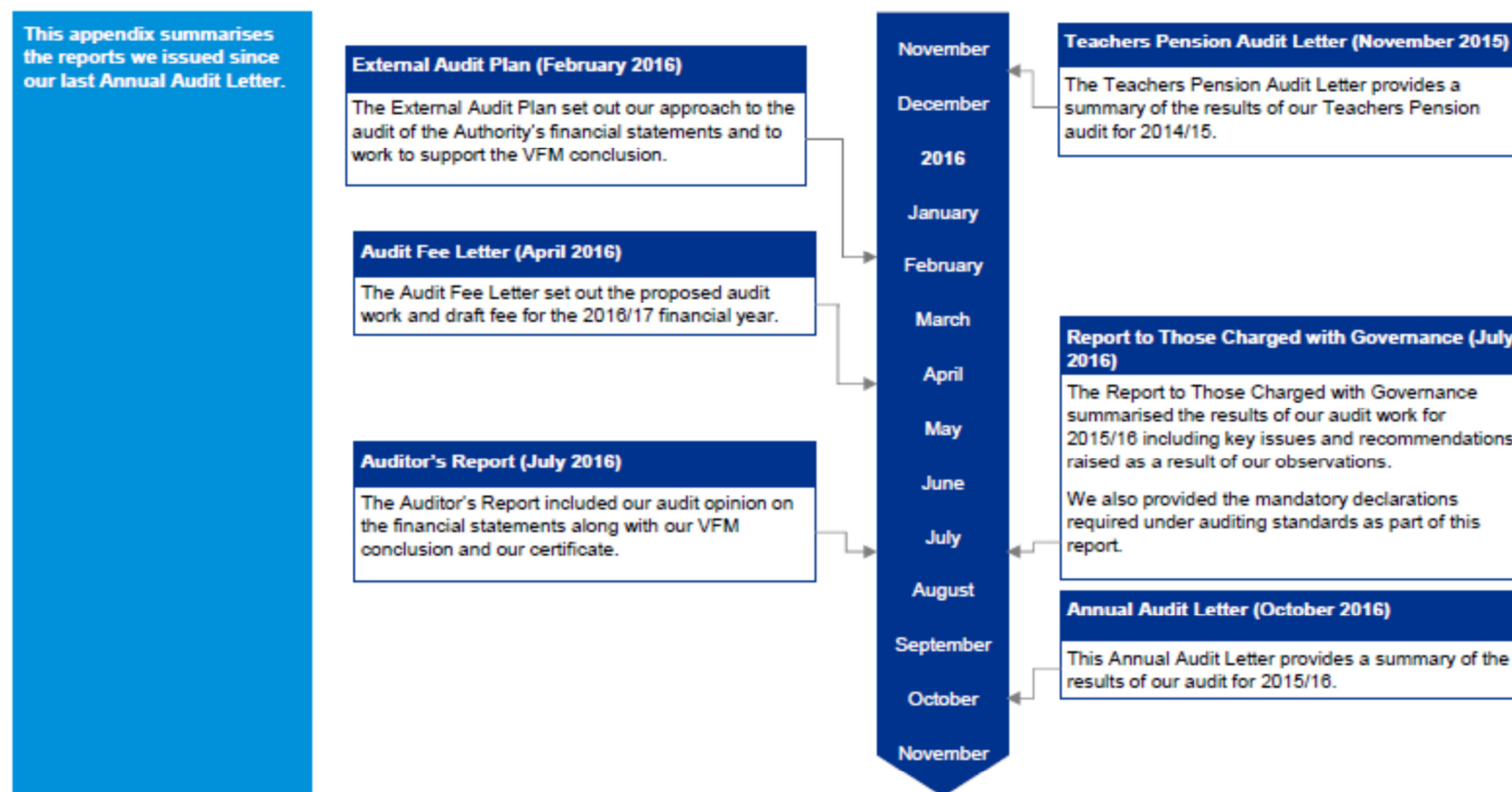
7

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Appendices

Appendix 2: Summary of reports issued



Appendices

Appendix 3: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of the Authority was £125,356 for the Authority and £28,672 for the Pension Fund, which is in line with the planned fee.

Other services

We charged £8,650 for additional non-audit-related services for which are outside of Public Sector Audit Appointments certification regime.

This related to:

Advice on tax reclaims relating to the Pension Fund - £5,150

Teachers Pension Claim 2014/15 review - £3,500



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9

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